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**HEARING**  
OF THE  
**COMMITTEE ON**  
**LABOR AND HUMAN RESOURCES**  
**UNITED STATES SENATE**  
**ONE HUNDRED THIRD CONGRESS**  
**FIRST SESSION**

ON  
**ROBERT REICH, OF MASSACHUSETTS, TO BE SECRETARY, DEPARTMENT**  
**OF LABOR**

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**JANUARY 7, 1993**

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Printed for the use of the Committee on Labor and Human Resources



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## NOMINATION

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THURSDAY, JANUARY 7, 1993

U.S. SENATE,  
COMMITTEE ON LABOR AND HUMAN RESOURCES,  
*Washington, DC.*

The committee met, pursuant to notice, at 10:30 a.m., in room SD-430, Senator Edward M. Kennedy (chairman of the committee) presiding.

Present: Senators Kennedy, Pell, Metzenbaum, Dodd, Simon, Harkin, Mikulski, Bingaman, Wellstone, Wofford, Kassebaum, Coats, Thurmond, and Durenberger.

### OPENING STATEMENT OF SENATOR KENNEDY

The CHAIRMAN. We will come to order, please, and I would request our photographer friends to cooperate with us at this extremely important hearing that we are having this morning.

First of all, we want to welcome our new addition to this committee, a good friend to all of us in the Senate, Senator Harris Wofford of Pennsylvania. We are delighted with his appointment to this committee. As an educator and as the former head of the Pennsylvania Department of Labor and Industry under Governor Bob Casey, he is someone who brings very special expertise to many of the matters that we will be talking about this morning, particularly with regard to training programs, moving people from welfare to jobs; and also in the area of development of community service programs. And as the country has moved closer toward dealing in a serious way with health care reform issues, Senator Wofford has played an indispensable role in helping us move in that direction. So all of us want to join in welcoming Harris Wofford who, I am sure, will make a very important contribution to the committee.

This morning, for the benefit of the committee, I thought I would first just outline the procedures we will be following for this hearing. There are a number of other confirmation hearings which are also taking place this morning, which some of the members of this committee are involved in and would like to be able to attend. So with the agreement of the ranking minority member, Senator Kassebaum, the way that we will proceed is that after a very brief introduction of the nominee, we will go directly to my friend and colleague, from Massachusetts, Senator Kerry, who will present the nominee.

Then we will invite the nominee to introduce the members of his family who are here and to make his presentation, and we will then go to questions, with 10-minute rounds. We invite those of our colleagues on the committee who have opening statements to uti-

lize their time for questions to make their opening remarks and to ask questions. We will continue the rotation as long as is necessary to permit the members to inquire of the nominee of his positions on various issues, and members will also have an opportunity to submit any additional questions they might have of the nominee to be responded to in written form.

We want to take as much time as is necessary to meet our responsibilities and obligations, but we are also mindful that the President-elect is also having an important conference on economic policy issues, and Mr. Reich is a member of that particular council. By proceeding this way, I think we can utilize our time most effectively. So with that understanding, we will move ahead in terms of this proceeding.

First of all, I would like to express a very warm welcome to Mr. Reich to our committee. He is no stranger to issues we deal with on this committee and to the enormous challenges that we are facing in our country. I myself have had the opportunity on a number of occasions, both as a member of this committee and in private meetings, to hear him speak on matters of importance to working men and women.

I particularly remember a presentation he made in 1991 at a hearing held at a union hall in Boston, MA, where he talked about the impact of the recession on working families in that State. He made a presentation that not only was eloquent in terms of its intellectual content, but also demonstrated a sense of compassion and commitment to working men and women which was extremely moving. He brings those very special qualities to this position.

I think all of us are aware that President-elect Clinton relied heavily upon his insights and his views about issues affecting working people during the course of the campaign. The President-elect is pledged to "put people first" had resonance, I know, across my State of Massachusetts as well as across the country. And over the course of his distinguished career, Mr. Reich has put people first.

I think Mr. Reich is a man of change. He understands the importance of economic policy in ensuring jobs—good jobs, well-paying jobs, safe jobs—and making available training programs for people of this country, and I know he will move us forward in a dynamic way to meet the challenges we face in the modern competitive world.

[The prepared statement of Senator Kennedy follows:]

#### PREPARED STATEMENT OF SENATOR KENNEDY

During the 1992 campaign, President-elect Clinton ran on a program of "putting people first." This is good social policy, and sound economics. Policies to help America's working men and women are essential to create jobs, raise the standard of living, and help America compete successfully in world markets.

President-elect Clinton's vision of economic growth and prosperity depends on a well-trained work force, involving a new relationship with business and government. For too long, we have ignored the needs of working men and women. We have paid a high price in slow economic growth, endless recession, a declining standard of



living, a lack of good jobs, and a loss of competitive advantage to other nations.

With the nomination of Robert Reich to be Secretary of Labor, President-elect Clinton has shown that he intends to make human capital an important part of a new national economic policy. I've known Bob Reich for many years, and he is one of the Nation's most thoughtful and eloquent advocates for economic policies that put people first.

He understands, and has helped America understand, that investment in human capital is essential if we are to succeed in global economic competition. He has proclaimed this message in his teachings at Harvard, in his impressive and extensive writings on public policy, and in his tireless advocacy and participation in national debate.

He understands that successful long-term economic policy has to mean a rising standard of living for working men and women, not just rising profits for business. Without high productivity, high-wage jobs for "frontline" workers, families will not have the incomes to buy cars and houses, or raise their children. And if families don't have a rising standard of living, then companies won't invest in new plants and equipment, or in research and development.

So "putting people first" is sensible economic policy. With Bob Reich as Secretary, the Department of Labor will play a leading role in advancing new ideas—such as a world-class job training system that helps all workers, greater labor-management cooperation, and a fair and level playing field for workers to exercise the basic right to join a union, and more attention to the vast number of young men and women who do not go on to college—the so-called "forgotten half" of our youth, who will be the backbone of tomorrow's economy.

Other countries understand this. They have already put such policies in place. But for over a decade, America has been held captive to an outdated economic policy that promised prosperity for all by rewarding only the wealthy. That approach has failed, and it is time for a change.

Bob Reich has been a tireless advocate of a more creative and more effective economic policy. He has testified before many Congressional committees, including a hearing by this committee in Massachusetts in 1990. His testimony there made a great impression. He spoke eloquently about the recession that was taking hold—about its impact on families, businesses, and the economy. He also warned about the long-term crisis in America's standard of living, because of our unconscionable neglect of human capital.

Bob Reich has the rare combination of vision and common sense that our economy needs. He will be an outstanding Secretary of Labor. I am delighted with his nomination, and with the opportunity that all of us on this committee will now have to work with him, to learn from him, and to help move this country forward again.

The CHAIRMAN. So with those brief words, we want to welcome you, Mr. Reich, and we would ask you at this time if you would be good enough to introduce a very special person who is herself one of our very distinguished academicians in Massachusetts in the

field of law. I would ask you if you would present her, and then I would call on my friend and colleague, Senator Kerry.

Mr. REICH. Thank you, Mr. Chairman. I am privileged to introduce my wife, Clare Dalton, a professor at Northeastern Law School, who is as committed as I am to these issues. She has distinguished herself in her career. Her special interest lies in dealing with the problems of families and battered women, child abuse, family abuse. Clare has started a clinic recently in Massachusetts you may know of, Senator, a legal clinic dealing with precisely those issues, in addition to her regular work.

Our boys, Adam and Sam, unfortunately are not here today. They are back in Cambridge, I hope at school rather than watching this proceeding. But I wish they could be here as well. They will probably see a tape. [Laughter.]

Thank you.

The CHAIRMAN. Thank you very much.  
Senator Kerry.

#### STATEMENT OF HON. JOHN KERRY, A U.S. SENATOR FROM THE STATE OF MASSACHUSETTS

Senator KERRY. Mr. Chairman, thank you very much. It is a great privilege for me to be able to be here this morning to introduce my friend, Bob Reich, and I appreciate the committee's indulgence in allowing me to do so.

I am also privileged to be able to present to you the President-elect's choice for Secretary of Labor, a man who truly meets, I think, Mr. Clinton's desire for a Cabinet that accurately reflects America. You could not, after all, find a more average former Rhodes scholar teaching today at Harvard Law School.

You could not find a more appropriate starting place for a man to learn compassion or to appreciate the aspirations of working people than Bob Reich found on his first real job in the workplace when he worked under the kindly guidance of Robert Bork.

You could not find a more typical American appearing regularly on PBS and radio, with the possible exception of Senator Simpson's friend, Nina Totenberg.

And I think, ladies and gentlemen, that you could not find a home town more reputed across America to represent America or to be the heartland than Cambridge, MA. So I would say that in every respect Bob Reich brings the diversity that President Clinton promised.

Bob Reich, I would say to the members of this committee—and I say this with deference to all other choices—but I think he is certainly one of the most inspired choices that President Clinton has made for his Cabinet. Why? Because, Mr. Chairman, as all of us know, the work force and the marketplace have undergone extraordinary changes over the course of the last years. And I think it is fair to say that what is most important to this committee and to the concerns of this committee and the Department which Bob has been chosen to lead and most important, to the working men and women of America in 1993, is that we have leadership that understands the extraordinary forces that have been unleashed across the globe.

Bob Reich is known throughout this country, and even in other countries, as somebody who does understand those forces. He has helped to define those forces. There is probably no one, or at least certainly very few people in this country, who understand those forces better and who have been more passionate advocates for how they will affect the American working man and woman.

There is no one, I think, who has proven over the course of the last 20 years or more that he has a greater personal concern for working people and for their plight today, for the diminishment of the purchasing power, how to respond to the fear and anxiety that most American workers feel about their future.

I believe that Bob Reich's nomination also reflects that the new administration is coming to office committed to follow up on the promises made during the course of the campaign, on promises for real economic change. I think it is proof-positive that President Clinton will live up to the statements of Candidate Clinton when he talks about a party that is offering change, as well as a nation that needs change, and that he will find leaders who know how to propose that change.

I believe that Bob Reich will bring to the Department of Labor a new strategy for investing in our work force and, most importantly, in all of our people.

As we all know, Bob is an old friend of Bill Clinton's. He is one of the President-elect's closest advisers. Therefore, his selection necessarily and importantly elevates the Department in importance, and I believe assures the working families of America that they will have the ear of the President.

As you know, Mr. Chairman, and as many who have followed his writings know, Bob's focus since at least the 1970's has been his concern for the issues affecting working people. In the late 1970's, he initiated the debate in this country over the problem of the decreasing rates of U.S. productivity growth. In the early 1980's, it was he who argued that a shift was occurring from high-volume standardized production on which assembly lines could turn out identical goods to the flexible systems of production in which, in his words, "smaller batches or more specialized, higher-value product goods that are precision-engineered, that are custom-tailored to serve individual markets, or that embody rapidly changing technologies." And, Mr. Chairman, you well know that we in Massachusetts know about these workplaces of the future; and like people all across the Nation, we want to create more of them since it is these workplaces that offer workers the greatest opportunity of higher wages and the greatest opportunity for growth in the marketplace.

We also understand why Bob Reich says that as a result of this change in the nature of production, America's future now depends on the skill of our work force. So I believe that those things that he brought to America as ideas challenging the norm are now truisms, accepted as the reality of the emerging global economy. Therefore, I think that we are fortunate to have somebody assuming responsibility not in the traditional sense for the Department of Labor as we have known it, but perhaps more creatively for all of the concerns of the American work force and for the changes that it is undergoing.



As I think everyone knows, Bob's ideas formed the foundation of Bill Clinton's economic approach in the campaign, and the whole concept of putting people first is something that really came from his initiative, from his creativity, and from his leadership.

I think, therefore, Mr. Chairman, that the country is lucky to have somebody of his quality and of his energy coming to this particular job at a time when the American worker is looking more than ever for leadership. And I am delighted to commend him for rapid confirmation to my colleagues in the Senate.

The CHAIRMAN. Thank you very much, John. We would invite you to stay with us, or if you have other appointments, we understand that.

Senator KERRY. Thank you, Mr. Chairman.

The CHAIRMAN. Mr. Reich, we would be glad to hear from you.

#### **STATEMENT OF ROBERT B. REICH, SECRETARY OF LABOR- DESIGNATE**

Mr. REICH. Thank you, Mr. Chairman.

First, I want to thank Senator Kerry for his warm introduction. We have been friends and neighbors for years, and I am a great admirer of him and his commitment to these issues, the issues of the work force. I look forward to working with him in many respects.

My congratulations also to Senator Kassebaum who has just become ranking minority member of this committee. I look forward to working with you, if confirmed.

I can't proceed without acknowledging another friend. Senator Edward Kennedy has based his distinguished career upon a commitment to these very issues: health care, the American worker. My senior Senator from Massachusetts is a man who not only brings an intellectual commitment to these issues, but also an emotional one. This guy cares. And, Mr. Chairman, it is a great privilege to be here.

I want to thank each and every member of this committee for the courtesies you have all extended to me, not the least of which is your willingness to schedule this hearing at an early date. If confirmed, it is going to be a privilege to work with every one of you.

Mr. Chairman, members of the committee, I am deeply honored to have been asked by President-elect Clinton to serve as America's 22nd Secretary of Labor. I have known the President-elect for many years, and I know of his deep commitment to the issues on which this committee has taken a leadership role in the years—the education, the training, the working conditions, the living standards of average Americans, of Americans on the front line of our work force.

These issues, I don't have to tell you, lie at the very, very heart of our economy and society. In the emerging global system of production, I think it is fair to say that the American work force is coming to be the American economy. That is the way you begin to define the American economy in terms of the skills and capacities of the people who are here, Americans living here.

Now, I know that this committee is concerned about employment levels, and unemployment, which are distressingly high even at this level of a so-called recovery. The official unemployment figures

mask an ever larger problem having to do with people who are too discouraged to look for work or who are working part-time who would rather be working full-time.

If confirmed, I will work as a member of the President's National Economic Council to help design macroeconomic policies which put Americans back to work as quickly as possible.

But behind the business cycle, behind the capacities of fiscal and monetary policy, lies another deeper problem that doesn't receive all that much attention in the press very often, but it is felt by Americans, and that has to do with the quality of the jobs they have. Americans, many of them, are going to get jobs back at the end of this recession. But the question is: What kind of jobs? Are they going to get jobs that are as good as the jobs they had before? Many of them aren't. They are going to get working conditions not quite as good.

This is particularly true of Americans without four-year college degrees. This is a long-term trend that is concerning to all of us. If confirmed as Secretary of Labor, I am determined to help reverse this trend.

The American economy is putting an ever greater premium on education and skills. You can see it. The knowledge content of most goods and services is increasing, and so that the gap between the skilled and the unskilled, the four-year college education and the noncollege-educated is growing. That gap is growing very, very quickly.

Unskilled and untrained Americans are losing out. If not competing with low-wage workers abroad, they increasingly are competing with new technologies here at home which are rapidly replacing routine work of all kinds.

Mr. Chairman and members of the committee, if you confirm me, I will ensure that the Department of Labor is the Department of the American work force. The overarching goal is not only more jobs for our citizens, but higher-wage jobs, jobs that foster higher living standards, and also organizations, organizations of work which create opportunities for people. Training is not enough. You have got to make sure that there are really jobs there at the end of the training.

The specific goals which I set for the Department and will set for the Department reflect these broad objectives:

First, provide a path to good jobs for the 75 percent of our young people who do not complete 4 years of college and whose real wages have been declining.

The second goal is to help workers who have been permanently displaced, who have permanently lost their jobs, to get new ones that pay at least as well. As you all know, we have a tremendous problem with displaced workers. This last recession was notable because much of the unemployment came not because of cyclical unemployment, those jobs we used to have that will be coming back. Remember, when we had unemployment, it was a business cycle phenomenon. What we find now, because of a whole variety of structural reasons—technology, international trade, military cut-backs—many of those jobs are never coming back. The displaced worker is becoming a key issue, a key problem for our society in all respects.

Third, publicly supported job training alone will not create good jobs. The third goal is to foster business organizations which create career ladders toward high-wage jobs, even for those without university degrees. Otherwise, that wage and benefit gap is going to continue to widen.

The fourth and final goal is to foster the creation of good jobs which are good not only because they pay well, but because they also provide a good work environment—high-performance work organizations, corporations in this society that are doing well, that are on the vanguard of the corporate frontier, are family-friendly to all their employees, responsive to the growing needs of single parents and two-income families, while offering parental leave, child care, elder care. They do not discriminate on the basis of race or gender or disability. They provide all their employees with safe and healthy work environments, and they ensure that all their employees have adequate incomes when they retire.

America's leading businesses need no coaxing. They understand the importance of their human resources. They regard their workers as their primary assets. But I worry that many American businesses don't yet see the light. They are not at this place yet.

If the American work force as a whole is to enjoy a higher standard of living in the future, if America is to be competitive in the world economy, Government must stand ready to encourage the private sector as a whole to treat their work force as their most precious asset.

How do you encourage the private sector? I am not yet sure precisely the best combination of carrots and sticks and education and outreach. Business must be ready to collaborate, to become a true partner. Labor has to join the partnership. Human resource professionals, technical schools, vocational schools, community colleges are also going to have to be in the mix. We need them.

The States—as Senator Wofford knows, the States are doing some extraordinarily important things in the area of training and development. Senator, you were right there on the front line of workplace development in your State. I want to work with the States.

And we are going to also, if I am confirmed, work with other departments. This isn't just a Department of Labor matter. It also is Department of Education, Department of Defense, Department of Commerce. I have had preliminary discussions with other designees, Cabinet designees, and we have already established a good working relationship and ongoing collaboration on these issues.

I also, of course, if I am confirmed, look forward to working with all of you, with your colleagues in the Senate and also with members of the House on these issues.

Mr. Chairman, members of the committee, both my parents worked. They worked hard. They worked 6 days a week. They owned a small business. They had two little clothing shops. They were basically all the workers and all the managers, the two of them. My Dad, I remember, on Sundays he would come home, and he would spend part of his Sundays working on the books, the accounts receivable, the inventories. It wasn't an easy way to make a living. They did it. They were the workers. They were the managers. And over the dining room table in the evening, I saw work-



er-management relationships at their best—and occasionally at their worst.

But through that experience growing up, I can tell you I developed a keen appreciation of the needs and the plight of small business. I am particularly sensitive to that. I remember Dad complaining about Government paperwork. But I will tell you something: When a flood flooded out one of his two little shops in a big hurricane and we were almost finished, he came to the Government, got a loan, a low-interest loan. It put him back on his feet, and we were, as a family, back running. The business was saved.

If I am confirmed as Secretary of Labor, I will dedicate myself to the well-being of all Americans who work, who want to work, who must work. It will be truly the Department of the American Work Force, a center of America's strategy for economic growth.

Thank you.

The CHAIRMAN. Thank you very much, Mr. Reich.

[The prepared statement and biographical sketch of Mr. Reich may be found in additional material.]

The CHAIRMAN. I want to now recognize Senator Thurmond, who is the ranking member of the Armed Services Committee—which is holding its own hearing right now with Mr. Aspin—for very brief comments.

#### OPENING STATEMENT OF SENATOR THURMOND

Senator THURMOND. Thank you very much, Mr. Chairman. I will just take a minute-and-a-half.

Mr. Chairman, it is a pleasure to be here this morning, and I want to join the chairman and the members of the committee on Labor and Human Resources in extending a warm welcome to Secretary nominee Robert Reich. Mr. Reich has a long and distinguished career in Government and education. He has earned degrees from Dartmouth College, Oxford University, and Yale Law School. He was also a Rhodes scholar. He is currently a lecturer on public service at the John F. Kennedy School of Government.

Mr. Chairman, the Secretary of Labor has the responsibility to organize the Department of Labor so that it will revitalize and strengthen our work force. The Secretary must create an atmosphere that will promote the creation of more permanent jobs. He must assist dislocated workers and promote competition.

As a Nation, we must promote and harness the productivity of the American worker. We must assure small and large businesses that we will be careful to implement regulations which foster job growth and productivity. And I think that is very important.

Mr. Reich, it is a pleasure to have you here today.

Thank you, Mr. Chairman. At this time I must leave to attend the nomination proceedings in the Senate Armed Services Committee. I appreciate your courtesy.

The CHAIRMAN. Thank you very much.

I will ask the staff to watch the time and limit us to 10-minute rounds.

It is evident from your eloquent statement, and particularly the concluding remarks of your presentation, that you really intend to make the Labor Department the spokesman for the interests of working men and women, and that is most welcome. There are

many of us who have felt in recent years that the Department has been more interested in business interests, and depending on business interests to look after the interests of workers than putting the interest of working men and women right at the forefront of the country's agenda.

In this round, I just have two areas that I would like to cover, and then I will come back to others.

This morning we heard that the size of the deficit projected over the next four to 5 years is \$1 trillion more than was anticipated. There is a debate taking place as to what kind of stimulus package is going to be presented, with the idea that the stimulus package would be a job-creating package.

We know that there are meetings later today which you will be a part of and that the President is going to be making a judgment and decision on this question. But as we look at, one, the size of the deficit, and, two, the countervailing view that investing in the country at the present time may be a key factor and force in dealing with the deficit over the long term in terms of stimulating growth over the period of the next few years.

Given the recent information about the size of the deficit—even without the new unemployment figures which we anticipate tomorrow—could you let us know what your own thinking is on the dichotomy between investing now to ensure further economic growth versus reducing the size of the deficit immediately and the view that because of the deficit that we should not be talking about a stimulus package at the present time?

Mr. REICH. Well, Senator, I can say that President-elect Clinton emphasized during the campaign, and still emphasizes very, very strongly, two goals that are not necessarily incompatible, and they have to do with the future well-being of our country and our citizens, our children. No. 1 is to invest in our future, publicly and privately, induce private investment but also to make sure that we have adequate public investment in education and training and infrastructure. But the other goal is to get that deficit under control.

The President-elect and his economic advisers have been meeting on this. I feel constrained. I am not at liberty to talk precisely about where he is on this. Obviously he is the chief economic policy maker in this coming administration. He has made that very clear.

The CHAIRMAN. I understand, and we are not asking really what advice you are giving, but just about your own thinking about what an investment strategy means in terms of job creation and how we ought to generally look at the question, even with the newer figures in terms of the deficit.

Mr. REICH. I don't think the newer figures change the goal overall, Senator, and that goal, again, is both deficit reduction, but it is also investment in the future.

I looked back over the past Federal budgets. In fact, I did a calculation recently, and I checked the calculation against a calculation that the Office of Management and Budget did and discovered that only about 9 percent of the Federal budget went to anything that any of us might consider to be investments; that is, expenditures which truly build the future productive capacities of the country, whether they be education or training or research, develop-



ment, infrastructure. Only 9 percent of the Federal budget is now going to investment.

We have got to increase that. Other countries are investing far more than we are.

The CHAIRMAN. So your belief is that even with the size of the deficit we can have an investment strategy which, in the long-term, is not only going to produce jobs but also lead to a reduction in the deficit over a longer period of time?

Mr. REICH. Yes, Senator. My firm belief is that that investment strategy produces jobs. It produces better jobs. Again, I emphasized in my opening statement that what we need is not only more jobs, but we need jobs that are better jobs, particularly for our front-line workers, our nonuniversity-degree workers who are now on a downward escalator; and that these investments also pay off. We know they pay off in the long-term in terms of economic growth.

The CHAIRMAN. Well, this is the second issue which you referenced in your opening remarks. That is, what is necessary to make sure that our front-line workers are well trained, that they are able to work under safe working conditions, that they are able to continue to acquire the kinds of skills which are necessary in terms of the international competitiveness as well as the competitive climate that we are facing here in our own country? And can you elaborate on what ideas you do have that you hope will be able to be achieved or accomplished to try and move us in a more serious way toward increasing the number of jobs? That, I think, is what every family is looking for an answer to in terms of these hearings.

You know in my own region of the country, New England, we have 8.6 percent unemployment, and we have lost 30 percent of our jobs in that particular region of the country. Families in New England are really looking to you today and wondering what sense of hope they should have that, perhaps not tomorrow or the next day but very soon, there will be jobs available for their family members and that those jobs will offer an opportunity for progress for themselves and their families and will provide decent pay and opportunity for advancement, and that they will be able to acquire the skills necessary to keep up with the competition that is taking place in terms of the international economy.

Can you briefly let us know what you think might be done in terms of creating those jobs?

Mr. REICH. Mr. Chairman, this committee has taken the lead on much of the thinking on this. I look forward to working with you. The draft that I saw of the High Skills, High Wages draft, which you and other members of the committee have come up with before, strikes me as an excellent starting place for pushing forward with these issues.

Again, it is a complex of issues having to do with not only training, dislocation, but also ensuring that when people are trained there are really jobs out there.

We talk a lot about training, but there is nothing worse than being trained and then not having a job at the end of your training. So the work force and the business community have got to be allies in the future of our work force and the future of our training commitments.

But, again, I look forward to working with you and other members of the committee on these issues.

The CHAIRMAN. My time will expire. I think that this is probably a good point of departure—the notion of a real working partnership between the public and private sectors. I think our principal competitors in other parts of the world, which ironically in many respects are much more ideologically divided than we have been, have understood the need for such partnerships better than we have. The Americans Choice report which Mrs. Clinton was a part of—and testified on before this committee very eloquently, I might add—talks about the fact that the major political actors in these other countries have united in their support for domestic programs that result in creating the jobs that are well-paid, safe, and offer substantial job training. And such programs have the support of the business community in those countries. That is something that I heard the President-elect talk about a good deal in the campaign, and we are certainly looking forward to trying to find new ways to be able to achieve that cooperation and consensus in this country.

Senator Kassebaum.

#### OPENING STATEMENT OF SENATOR KASSEBAUM

Senator KASSEBAUM. Thank you, Mr. Chairman, and congratulations, Mr. Reich. You are known to be a very thoughtful, prolific and provocative writer on a wide range of subjects, and I am looking forward to a very constructive and productive discussion over the months to come.

I also know, Mr. Chairman, you are probably missing your old sparring partner here as the ranking member of the committee. Senator Hatch has served with great distinction as both chairman and ranking member of this committee, and just so you will think he hasn't given up, he is, of course, now the ranking member of the Judiciary Committee and will still be a member of this committee.

The next Secretary of Labor will be facing, I think, two significant changes. You have spoken about some of these in your opening comments. But first and foremost, I believe the Department of Labor itself, with the laws and regulations it enforces and the programs and agencies it oversees, has a big responsibility for looking inward as well as outward. Just as the private sector has had to streamline its operations, a fact that you have written about extensively, so, too, must the Department of Labor restructure itself to meet the demanding needs of our changing work force.

Our economy, not to mention the American taxpayer, can no longer afford administrative waste, outdated regulations, and duplicative programs if our Government is to play a meaningful role in enhancing our Nation's competitiveness.

I think job training is a prime example. Last year we spent over \$18 billion on about 125 different employment and training programs. And as President-elect Clinton said in a speech, "We have to cut through this incredible maze of Federal programs . . . to take a look at how much money we are wasting."

It is always easier to create new programs and draft new regulations and laws than it is to take the time to look back and see whether what we have done actually works.

I think this could be one of the most important responsibilities that we have, all of us here today. We in Congress can certainly attest to this fact, that sorting through old regulations and programs to make improvements is not glamorous work. Good government can be boring. But I think, Mr. Reich, I would say that this is, to use an old, worn-out phrase, a window of opportunity.

You understand all that is involved very well, and I hope that you might seize the moment and bite the bullet because I think it is a great opportunity. Certainly you would have the full cooperation of those of us here who would like to help you with this task. And it might be a great book after you leave office. [Laughter.]

It attracts little media attention on the whole, but it will be essential if the Department of Labor is to remain relevant as we enter the next century.

The second challenge—and this is one, again, you have spoken to—for the new Secretary is perhaps more critical and immediate, but I think cannot be accomplished without the first as well. That is the creation of new and meaningful jobs for those willing and able to work.

The recent recession has been unusual—and you have spoken to that—in that most of the rise in unemployment represents people who lost their jobs permanently, unlike the temporary layoffs in the past. These structural changes demand that every decision made by the next Secretary of Labor, and us as well, I think, be viewed first in terms of the impact on job growth. Too often we ignore the fact that well-meaning legislation, be it mandated leave, increasing the minimum wage, or raising payroll taxes for job training, may well influence the decision of a company to hire new workers. And if we continue to add to the cost of labor, business will simply move jobs abroad.

We might all wish that would not be the case, and we might even try to find ways that that might not happen. But it is a trend that you have also well documented and that we all understand.

All the job training that money can buy will be useless if there are no jobs for the workers to fill. Job creation was one of the central promises of the fall campaign, and it is one I am sure you have spoken to eloquently. There is no need to urge you, if you are confirmed, to keep that focus firmly on this promise.

I would like to start by asking a question regarding a case that was recently decided by the National Labor Relations Board, the Electromation case. Just to explain a bit, in that case, by declaring the "action committee"—which is a committee of the employer and employees—involved in the case to be prohibited, employer-dominated labor organizations under the National Labor Relations Act, the opinion in that case has called into question the legality of hundreds, if not thousands, of such employee-involvement groups and programs designed to foster employee participation in cooperation with management.

I have long believed that it is very important to try and get greater cooperation between labor and management. And this is not management's fault or labor's fault. It seems to me that many times the line is drawn in the sand, and both sides are afraid to cross that line.



But this is a very important decision on the part of the National Labor Relations Board. The Kansas City Star said, "The ruling could undo one of corporate America's most cherished reforms by forcing thousands of companies to disband similar labor-management teams set up in the last decade to improve productivity and competitiveness."

Do you approve of quality teams and other such means of achieving greater employee involvement in the workplace? And if so, what will you do to encourage more companies to adopt this approach? And how can we prevent the Board's decision from inhibiting these practices?

Mr. REICH. Senator, first of all, I want to take a very careful look at that decision. I have been advised that it is really a rather narrow holding in a particularly egregious instance of management trying to avoid unionization, or at least dominating a particular worker organization. But if it has a chilling effect upon cooperation and collaboration between management and labor, then something must be done. And I will be the first to suggest with you and others here on this committee that we might want to seek legislation to overturn that.

Senator KASSEBAUM. It is, of course, based on the National Labor Relations Act of 1935. It was a narrow interpretation, and perhaps there is a way, through some other cases brought—and there is a case pending, actually, before the Board—a broader interpretation could be reached. But if not, would you envision going back and revisiting the National Labor Relations Act of 1935? Do we need to review that in the light of changing circumstances?

Mr. REICH. Well, again, Senator, if it turns out that this case does have a chilling effect, does have a negative effect on management-labor cooperation, if it turns out that subsequent decisions really do broadly chill labor-management relations, then it seems to me appropriate to seek a legislative solution here.

Again, I want to investigate very carefully. I want to see if there are any other options open to me as Secretary of Labor. But as a last resort, I do not—I share your concern. I don't want to chill labor-management relations and collaboration that is absolutely for the work force of the future.

Senator KASSEBAUM. Thank you. My time is up, and I will save my other questions.

The CHAIRMAN. Senator Pell.

#### OPENING STATEMENT OF SENATOR PELL

Senator PELL. Thank you, Mr. Chairman. I, too, would like to welcome Senator Kassebaum as ranking minority member. I served with her on the Education Subcommittee and look forward to continuing to do so.

The CHAIRMAN. Would the Senator yield? The only reason that we didn't welcome our new ranking member formally is that, as I understand it, under the protocol of the Senate we are supposed to ratify the new committee assignments before they formally become effective. But I don't want that—

Senator KASSEBAUM. You think I might not really be here? [Laughter.]

The CHAIRMAN. We won't let Orrin back. [Laughter.]

Seriously, I should have done this earlier, and I want to join in welcoming Senator Kassebaum as the ranking member.

Senator PELL. I apologize for jumping the gun.

We are very lucky, I think, in having Mr. Reich as Secretary of Labor. He really is the first hands-on Secretary of Labor in quite a while. I am trying to think of another Secretary of Labor who had the breadth and depth of knowledge that he does in the field and the access to the President. And I really don't think any Secretary of Labor since Frances Perkins filled that role, and I congratulate you on your appointment and look forward to working with you.

As you said in your statement, the real strength of our Nation is the people, the education of people and the character of our people. But it is the people who are the real strength, and that is where you will have your principal focus.

The tough decisions that you face are going to involve family leave, retiree health benefits, underfunded pensions, job training, defense conversion, minimum wage, unemployment insurance, and worker safety. In short, you have the responsibility with the President of reshaping the American work force.

In these past years, in just about every election season, the issues have been either about peace and jobs or jobs and peace, depending on which part had the priority, whether it was domestic or foreign affairs. This time we have a pretty open agenda, particularly when it comes to jobs, and that, again, will fall on you.

We in Rhode Island have suffered, just as has Massachusetts, just as has Connecticut, from the depression in our part of the country. I call it depression, not a recession. We have had mass layoffs for a small State like mine, 2,000 workers from Electric Boat, and we really suffered a great deal.

In that regard, for many years I have been among those who have been advocating more attention to be paid to conversion or, if that is considered a dirty word, diversification. But until now, there has been little done about it. Now there is legislation on the books. In the Defense Department, we have an amendment in there, and otherwise, and we would be very interested in your views of how we can truly implement conversion or diversification.

Mr. REICH. Senator, my understanding is that in the fiscal year 1993 budget money was authorized for defense conversion which has not yet been spent by the Bush administration. Defense conversion is obviously a complicated issue. Part of it has to do with helping companies themselves which have been defense contractors begin to diversify. Part of it has to do with helping workers, when those companies cannot diversify, get the jobs they need. Part of it has to do with the communities themselves, helping those communities expand their industrial base.

I have talked at some length with Defense Secretary-designee Aspin about these issues. In fact, he and I started these discussions long before long before either he or I knew about our fates. And we will continue to talk about the problems and also take action with regard to these problems.

The question that is going to arise, it seems to me, and that is going to be before the committee—and I look forward to working with all of you on it—is that as you face defense conversion problems and as we all deal with a contracting defense base and as we

also deal with the international economy—for example, the North American Free Trade Act—we have a variety of adjustment problems, a variety of displaced-worker problems.

As Senator Kassebaum pointed out, there are 125 programs already in place for displaced workers. There has to be some way—and, again, I look for guidance to all of you on this, but there has to be some way to integrate these programs to make sure that we create a kind of one-stop shopping, regardless of why the workers are displaced. I hope that is possible. You all know much better than I whether it is.

Senator PELL. To be specific, I am thinking here of Electric Boat, which manufactures these huge submarines with a particular skill and ability. It is very hard for them to convert to manufacturing railroad cars and other things, although we encourage them to do so. But as you point out, what is needed are job opportunities for those men who have been working in industries that have not converted.

In this regard, I am curious if you know whether or not it is correct to say that our reduction in defense expenditures as we contract down, the Cold War hopefully diminished, that as we contract down that the amount of our reduction is far less than that of many of our colleagues in fellow industrial nations. Would that be correct?

Mr. REICH. Yes. Senator, we have not yet embarked upon the kind of defense reductions which in a post cold war era one would expect we are capable of undertaking. Again, one of the problems which I believe is keeping us from doing the kind of defense reductions we need is precisely the problem to which you alluded; that is, the problems of the potentially displaced workers, the communities which have come to depend upon a military industrial base, to use President Eisenhower's term.

This issue of conversion, whatever you call it, transformation from a military power to a first-rate civilian commercial power, using our resources and redirecting our resources, has to be near the top, if not at the top of our agenda.

Senator PELL. When it comes to creating jobs, has any thought been given to what I recall in the New Deal days where we had the CCC and the WPA, which not only found jobs for people but did useful things some of which we are benefiting from now, 30, 40 years later?

Mr. REICH. Senator, there have been a variety of proposals—and, again, at this point I feel that I am at liberty of saying only this: With regard to the kinds of proposals that are widespread employment proposals—that is, which would create jobs, new jobs that are public sector jobs—my research so far indicates that that is a very, very expensive undertaking.

Now, granted, it is better for people to have jobs than no jobs. But to the extent that we can possibly funnel that money into the conversion and the training of people to jobs in the private sector, that is always going to be preferable.

Senator PELL. Thank you.

Senator Kassebaum mentioned the importance of the relationship between labor and management. In this regard, I wonder if you have thought of the success and co-determination in some of



our trading partners, which has really completely eliminated strikes and industrial friction to anywhere near the extent we have it. If they can do it successfully, if Germany does it successfully, for example, why can't we do it? Why is it always laughed out of court?

Mr. REICH. Senator, the German system of co-determination has worked for them. As you pointed out, it has worked pretty well. I am not sure that that precise—

Senator PELL. I think we ought to explain what co-determination means. That means labor and management both serving on the board of directors.

Mr. REICH. Labor and management both serving on boards of directors. You recall after the help that Congress gave to the Chrysler Corporation, the head of the UAW, Doug Fraser, was put on the Chrysler board, and my understanding is that was a very helpful and positive step. But it is not at all clear that co-determination would fit easily into the American structure.

I do believe in most of the research I have seen and most of the reality and most of the people I have talked with, both in the labor movement and also chief executive officers, attest that workers need a voice, and when workers have a voice, regardless of the particular form of the voice, when workers have a voice to express their concerns about health and safety, also their ideas about products and possibilities in the market, those companies work better, those companies are more profitable, they are higher performing, and we need to think very creatively and, again, work with the business community in seeing how workers can achieve a greater degree of voice.

Senator PELL. What, in your view, was the success of Fraser's appointment to the board that he was appointed to by the UAW? Why did that not carry on? He was just one voice of labor on the board of managers, and, yet, both labor and management were frightened of the idea of sitting down together for the positive way, rather than in kind of conflict with each other.

Mr. REICH. I don't know in that instance why that ended or to what extent it may continue on in other ways. I do know that if you examine other very, very well run companies—and here take, for example, unionized companies, Allegheny-Ludlum, Xerox, 3M, or even look at the Chrysler LH, the new Chrysler company, or the GM Saturn—we have all kinds of examples in which labor and management are working collaboratively. They are putting down their usual war-like techniques, they are casting aside the usual management and labor conflict, and they are coming together around teams of workers and management that actually get the job done, and they are more productive. Their profits are higher. It seems to me that that needs to be a goal. That degree of flexibility, that degree of trust, that degree of job security, well, workers and management can do it. We have a track record. We know that they can do it.

Senator PELL. Thank you. My time is expired. I will return to this, to see if we can't promote this working together into the idea of joint membership on boards of directors.

Thank you.

The CHAIRMAN. Senator Durenberger.

Senator DURENBERGER. Mr. Chairman, may I have your permission to welcome Senator Wofford to this committee?

The CHAIRMAN. Surely.

Senator DURENBERGER. I know he is more——

The CHAIRMAN. I know Senator Wofford would like that.

Senator DURENBERGER. I know he is more prepared for this job certainly than I am, and it is a compliment to the work that we do and it is a compliment to you, Mr. Chairman, and indirectly, I guess, to all the rest of us that chose to come on this committee, and I appreciate them.

Second, I have a statement in which I say I support the nomination of Robert Reich to serve as Secretary of Labor. I want to vote for him. I was among the people that was sort of surprised that this was a position that he sought, and I welcome the opportunity to visit with him. I had that opportunity and, frankly, I am sort of excited, even though I should not say that, maybe, from this side of the aisle about a prospect of his being Secretary. I have a statement that elaborates on that.

I heard what you said about the quality of jobs, and that is important, and I heard what you said about unskilled workers and I heard what you said about displaced workers, and these questions are critical, and the family friendly workplace, and I have just a couple questions that relate to that, because all of that is very important.

The State that Paul and I represent does not have the large dropoffs in employment, but we have got serious changes. Just recently, we have lost a lot of people who worked at IBM, a lot of people who worked for Northwest Airlines, two of our more high-tech, if you will, high-skilled industries are without work.

As is typical of some of these economies in our country, the mega-mall went up about the same time, so statistically you can't look at our community and say we have got a problem, because we are losing a lot over here, but we have now got this huge under-one-roof shopping center to which people from all over the world are attracted. To what, watch former IBM employees sell shoes or Snoopy's entertainment center, or whatever?

But it sort of struck me as a way to try to posit a question to you, that you sense this is part of the problem in America, too. It is not like going without a job. It is going without what you need as a person, as a member of a family in a job.

Mr. REICH. Senator, I don't want to underestimate or understate the pain of joblessness in this past recession, in particular. It hits everybody, my extended family, it has hit my best friend since grade school who has been out of work for more than a year, and we talk very often about his particular plight.

But I did want to emphasize and underscore something that you have just said. Having a job is not enough any longer. Of course, 75 percent of our work force does not have a 4-year university degree, and even for some white collar workers. You referred to layoffs at IBM. They are seeing their real wages decline over time, so that we as a society, if we are going to have a high standard of living, if we are going to be competitive in the world economy, we have got to worry not just about the number of jobs, but the quality of jobs, absolutely.



Senator DURENBERGER. Let me ask you this related question, State a general question and then maybe a more specific one. What does the change—this almost sounds like the thesis of a book, but what does the change in the nature of the economy, both as already occurred and predictably will occur, how does that change the job description of the Secretary of Labor? How does that change the agenda for this committee and, more specifically, what former concerns should be of a lower priority, and what present concerns should be of a much higher priority?

Mr. REICH. Well, at this stage, Senator, I don't think that I am prepared to say what concerns you may have that should be of lower priority. As I look at the work of this committee over the years, it all seems to me to be terribly important and of very high priority, and I will come back perhaps at some later time and tell you what you should not worry about or at least what my suggestions are.

But with regard to high-priority items, undoubtedly, issues of school-to-work transition for the noncollege educated, those who do not get 4-year college degrees is very high on the agenda, has got to be high on the agenda. Our community college system is excellent. Our technical college system is excellent, but maybe we have to think about certifications and standards, so that employers now what they are getting, so that we do create, as in many other industrialized countries, a whole layer of technical workers who don't necessarily have university degrees.

Also, the displaced worker we have been talking about this morning, people who are perhaps in their 30's, 40's, 50's, who find themselves without jobs. They have some skills already, maybe they are high skilled, but they need to retrain. Life-long learning has got to be a theme.

We created an unemployment insurance system designed around the business cycle, to tide people over periods of unemployment, when it was simply a matter of being laid off and getting your job back at the end of the period. But that is no longer the case. I think it bears fundamental reexamination, how we deal with this problem of the permanently dislocated worker. Again, we need to work with business to create organizations that be their work force.

Senator DURENBERGER. Will you be supporting the efforts at outcomes-based education, both in the traditional and in the nontraditional sense, get to work to find ways to measure the outcomes of the educational establishment in this country?

Mr. REICH. Absolutely, Senator. Outcomes—and this refers back to a question that Senator Kassebaum raised before—we do need, and President-elect Clinton has said this repeatedly, we need to reinvent government and look at outcomes, look at consumers, look at the people who are actually the recipients of these government programs, not get too bogged down in the inputs, the processes, and I intend to do that at the Department of Labor.

Senator DURENBERGER. The cost of health care may end employment as we know it in America. What is, briefly, the role that you see for the Secretary of Labor in helping head off that impending crisis.

Mr. REICH. The Labor Department deals with issues of health care in a variety of ways. The pension areas, for example, ERISA

governs health benefits, and there has been a great deal of both litigation and discussion about the preemption of State health benefit legislation with regard to ERISA. But obviously, should the President-elect choose to work with Congress in developing a major health care initiative, that is going to have a major impact upon the American worker, I think a positive impact. American workers are insecure, many of them because the only health insurance they have goes with their job; if they lose their job, they lose their health insurance.

Senator DURENBERGER. Thank you, Mr. Chairman.

[The prepared statement of Senator Durenberger follows:]

#### PREPARED STATEMENT OF SENATOR DURENBERGER

Mr. Chairman, I support the nomination of Robert Reich to serve as Secretary of Labor. I have met with Professor Reich to share my concerns about the Labor Department, and I am confident that he has the vision to move the Labor Department in the right direction. Accordingly, Mr. Chairman, I look forward to Professor Reich's testimony today, and barring unforeseen circumstances, plan to vote to confirm him as Secretary of Labor.

Mr. Chairman, we face unique work force challenges in the 1990's. Our industrial base has been weakened as traditional manufacturing companies either closed or moved overseas. In order to strengthen our economy, we need to retain our current manufacturing base and, at the same time, nurture new companies that specialize in high technology, high growth areas.

#### QUALITY OF OUR WORK FORCE

I remain convinced that a necessary element in rebuilding our industrial base is improving the quality of our work force. America cannot compete on the basis of wages alone, because low wage countries in Asia and Mexico have people who are willing to work for a couple of dollars per day. So America must compete on the basis of brainpower, and not wages alone.

Mr. Chairman, my State of Minnesota has realized this for years. Major corporations have their headquarters in Minnesota because we offer a highly skilled work force. In fact, according to a recent Census Bureau report ("Educational Attainment in the United States" 1992), Minnesota has the third highest percentage of persons who have completed high school (87.3%) and is among the highest percentage States for persons who have completed 4 years or more of college (22.3%). Clearly, American corporations realize that an educated work force is a strong asset and will locate their companies in States (and now in countries) where such workers can be found.

I believe that Robert Reich understands this. He has stated over and over again in his writings that an educated work force and infrastructure are the only things that we as a nation have to sell to international corporations. If we are to grow our economy and increase our standard of living, Professor Reich has told us that we must invest in our work force and our infrastructure. I could not agree with him more.

Of course, work force training and infrastructure are not the only things that attract businesses to the United States. Our regulatory climate, our taxes, and our crime rate, among other things, all affect our ability to maintain and grow our industrial base. That is why I generally oppose Federal mandates on employers and disfavor tax increases on American citizens and our employers. Corporations choose to locate in our country for a variety of reasons, and we must be sensitive to these various factors.

#### A VISION FOR THE LABOR DEPARTMENT

Mr. Chairman, the Secretary of Labor is responsible for administering a huge bureaucracy with a huge budget. We already spend a great deal of money on job training for unemployed and dislocated workers. I want to make sure that our taxpayers' money is being well spent. So by approving of Mr. Reich, I am not endorsing an increase in spending for all Federal job training programs.

But at the same time, I am hopeful that Professor Reich will bring a vision to the Department of Labor so we can better target our resources. Let me provide an example of what I mean.

During the past 2 years, I have advocated Labor Department defense conversion funding for FMC Naval Systems, a Minnesota defense contractor that will lay off over 500 workers in its Twin Cities plant as a result of our defense build down. The Department of Labor has awarded a \$1 million grant to retrain workers who have been actually laid-off, but the Department has here-to-for been reluctant to fund retraining for workers who are "at-risk" of being laid off.

Mr. Chairman, I would like the Department to think proactively about how we can retrain workers before they are laid-off. I think it may cost us more in unemployment and related social costs if we wait until workers lose their jobs. This is the type of program that I would like to explore. I hope that Secretary-designee Reich is open to such new ideas; his writings suggest that he is a "possibility thinker."

Mr. Chairman, I look forward to working with Robert Reich in his new capacity as Secretary of Labor, and encourage him to work with us during the 103d Congress.

The CHAIRMAN. Thank you very much.

Senator Metzenbaum.

Senator METZENBAUM. Mr. Reich, as you well know, as I previously indicated, I could not be more pleased about your appointment to head up this department. You and I go back a long way as friends. You are not only a friend of mine, but you and your wife are friends of my daughter and my son-in-law. My son-in-law teaches with you at the Harvard School, Kennedy School.

I think the signal that is sent out across the country by the President-elect seeing fit to put you in this position is just a wonderful signal. For all of us who are concerned about the Department of Labor and workers in this country it is very reassuring.

Everybody would agree that you are a thoughtful and provocative thinker, that you have new ideas. I looked at your list of books you have written and articles that you have written, and it is unbelievable, the quantity, as well as the quality. You are a person who looks at a problem and comes up with answers, and I think you



will be like a breath of fresh air in the Department of Labor, after 12 years where it has been a rather indolent kind of agency going along for the ride, but really not doing very much, as some of us have seen it, and failing to meet the challenge.

The Labor Department has actually been criticized for its weak enforcement of our labor laws by the department's own Inspector General, as well as an internal department task force.

For example, the department's pension program generally audits 1,500 employee benefit plans a year, out of a universe of over 5.5 million plans. By comparison, the IRS runs a similar program which audits over 10,000 plans a year. During the Carter administration, over 15,000 plans were audited each year, as compared to 1,500 at the present time.

Lax enforcement is a reality throughout the Department of Labor. In OSHA, fair labor standards, child labor, wage and hour enforcement, employers are often lax in complying with the law, because they felt and knew that the Labor Department was unlikely to go after them. Even with the department's limited resources, the department could do a better job.

Have you given this subject any thought? Do you have any ideas as to how you might bring about better enforcement effort, knowing full well that there isn't going to be a tremendous increase in the amount of dollars available to the department, and you are probably going to have to work pretty much within the constraints from the present budgetary allocation?

Mr. REICH. Senator, I can promise you that, if confirmed, I am going to it that the laws are indeed enforced. I haven't been over there. I haven't had a chance to review the Inspector General's reports or examine why and to what extent there may have been a lack of enforcement.

I do want to say this, however: I have been enormously impressed with the professionals that I have come across in the department. There is enormous talent there. People there are very, very willing to do their work and to do it with a great deal of commitment. I am looking forward to working with them.

Senator METZENBAUM. I don't question the fact that there are people in that department who want to work or who would be enthused about energetic and direct leadership. Given the likelihood the department will not have sufficient staff to pursue every violation of our labor laws, do you think that there could be innovative ways to protect workers' rights such as charging fees for department services and using the proceeds for department enforcement efforts or establishing worker safety committees to enable workers to improve the workplace?

Mr. REICH. Senator, I am sure there is room for a great deal of innovation. I know that there is OSHA reform legislation which has been considered by this committee. One of the pieces of this legislation that intrigues me the most concerns those worker committees which are in charge of kind of preventive maintenance. I don't think any group is better able to spot potential hazards in the workplace than the workers who are there themselves. Just like no group is better able to spot new possibilities for efficiencies and quality improvements than the workers who are right there on the

front line. I am looking forward to exploring those issues with this committee and exploring all of those possibilities.

Senator METZENBAUM. Mr. Reich, one of the most controversial issues we are going to have to deal with has to do with NAFTA, the free trade agreement. Frankly, coming from the State of Ohio, which has already been negatively impacted by the loss of jobs to the Maquiladora area, I recently traveled to Mexico to visit U.S. owned manufacturing plants along the border and to talk to the Mexican workers.

Those factories are pouring environment-damaging toxic waste into the soil, water and air, with practically no regard to the harm to the citizens of both countries. The workers are paid subsistence wages and live in unspeakable squalor, even though they have so-called good jobs in major manufacturing plans. I expected to see poor conditions, but I am frank to tell you, I was shocked by what I saw outside the plants. Inside the plants, there were pretty good working conditions. I didn't find anything objectionable. What I saw looked good to me. Outside, unbelievable.

What concerns me is what happens under NAFTA to the additional number of jobs that will be moved to Mexico from States such as mine? Now, I do not care how productive the American worker is; for that worker to try to compete with the \$2 or \$2.50 an hour worker in Mexico, it is just an impossibility. Mexican workers are not bad workers. I saw what they were doing on the machines. They were doing a good job and, as far as I could tell, the plants were nice looking plants. The people there were pulling down the levers and doing whatever had to be done.

I am not sure what the answer is to this problem, but I know that the workers of my State and many other States are very much concerned that the problem that presently exists with respect to skilled workers in this country will be exacerbated, and companies that stay behind and do not move are going to be demanding that standards here be lowered, so that they can compete against the jobs that have been moved to Mexico. Workers here will be called upon to provide give-backs, to give up some of their rights and their benefits.

How can we protect American workers under these circumstances, and what thoughts do you have on the whole subject of NAFTA?

Mr. REICH. As the Senator knows, President-elect Clinton has gone on record during the campaign, he has repeatedly said that he supports NAFTA in principle.

Senator METZENBAUM. I know that.

Mr. REICH. He has also, though, conditioned his support upon there being adequate safeguards with regard to dislocated workers in the United States, working standards, environmental standards. I can't tell you precisely what his thinking is on the matter. I think that we and he and all of you up here are going to be working on that issue. There are a variety of possibilities.

But it seems to me that the general principle is absolutely correct: NAFTA is a movement in the right direction, but only and only to the extent that we have a strategy in this country for dealing with the very problems that you are talking about.

Senator METZENBAUM. A change to a different subject: You have been critical of businesses for demanding tax breaks from local communities, and I have also been critical, because it is a matter of the race to the bottom, as one community after another would provide tax breaks.

You pointed out correctly, I think, that these tax breaks are killing our public schools, which depend on local tax revenues to educate our young people and ensure that they become productive workers. I have asked the General Accounting Office to undertake a study of the extent to which schools are being harmed by the tax breaks that corporations are demanding before they move from one community to the other. The GAO really doesn't have the resources to go into every community and quantify the loss and effect.

My question to you is, do you consider this problem of the loss of tax revenues for a school system in the country a priority issue, and would you be willing to direct a serious effort by the Labor Department to get the facts and find out if business demand for tax relief is saddling us with uneducated, unproductive workers?

Mr. REICH. Senator, the problem to which you allude, that different jurisdictions, different States, different cities are competing for businesses and offering tax breaks is a very real problem.

Not too long ago, I was asked to come down and preside and help in a regional pact that New York City, Connecticut and New Jersey were going to create to stop bidding against each other. I think New York City was providing something on the order of \$600 million a year of tax abatements for companies, in order to prevent them from moving to Connecticut or New Jersey, and New Jersey and Connecticut were offering about \$300 million to prevent them from leaving or to get them to go to New Jersey and Connecticut. That was a step in the right direction.

I have subsequently learned that that compact broke down and now they are back bidding against each other. This is happening all over the Nation. I don't know exactly what the right solution is, quite honestly. I don't know, it seems to me impractical at this stage to suggest Federal preemption. I don't see that the Federal Government can preempt and stop States from doing it. I think a lot of the problem may not be with corporations per se. It may be simply governors and mayors who feel that they have to do this in order to attract business.

Hopefully, we will get to a stage in our economic development in which smokestack chasing, simply chasing other businesses is not the primary means toward economic development.

Senator METZENBAUM. Mr. Reich, as you know, the striker replacement issue was a hot issue before the Congress in the past. I intend to reintroduce the Workplace Fairness Act, which would ban the hiring of permanent striker replacements.

The President-elect spoke to this issue during the campaign. Remember when he went out to the Caterpillar plant. My question is can we look to the Labor Department for support and cooperation in an effort to pass such legislation through this Congress?

Mr. REICH. President-elect Clinton has indicated his support for that striker replacement legislation.

Senator METZENBAUM. My time has expired, Mr. Chairman.  
[The prepared statement of Senator Metzenbaum follows:]



## PREPARED STATEMENT OF SENATOR METZENBAUM

I welcome Professor Reich today and congratulate President-elect Clinton for an excellent choice. I should note that Professor Reich is a good friend and colleague of both my daughter and my son-in-law, who is also a professor at Harvard. I have known Professor Reich for many years and am familiar with his thoughtful ideas for solving the problems confronting our country.

Robert Reich has studied how American workers can better compete in the world marketplace and what it will take for our economy to provide a better standard of living to all Americans. I agree with him wholeheartedly that we need to do a better job investing in our greatest resource: the American worker. Workers need better training, safer working environments and greater job security. I think Robert Reich is well suited to see that our labor policies promote those goals.

He not only has a bright mind, but he has the trust and counsel of the President. As the head of Bill Clinton's economic team, Robert Reich is particularly well positioned to represent the interests of working men and women in this country.

There are many problems facing workers today, but the state of the economy is central to any solution. We need to create new jobs and get this country back on track. And then, we must develop long term policies to create a high skills, high wage economy. As President Clinton builds a stronger economy, he will need the Secretary of Labor to help see to it that America's workers can prosper in a competitive world economy.

Congress established the Department of Labor in 1913 "to foster, promote and develop the welfare of the wage earners of the United States, to improve working conditions and to advance their opportunities for profitable employment." Unfortunately, I do not believe the Department has been fulfilling that promise. It certainly has not in recent years. One of Robert Reich's great challenges will be getting the Department to refocus its effort for the benefit of American workers.

We need a Department of Labor that will enforce the laws already on the books. We also need to pass legislation which improves current laws, and add new ones to address the problems faced by the modern work force. We need to build a cooperative spirit between workers and management. We need to protect the jobs of those who are productive members of our work force at the same time that we find ways to create new jobs. These are great challenges and there are great expectations. I believe Robert Reich will meet these challenges and I look forward to working with him.

The CHAIRMAN. Senator Dodd.

Senator DODD. Thank you very much, Mr. Chairman.

Let me congratulate you, Mr. Reich, on your nomination. I look forward to supporting your confirmation and I commend the President-elect for choosing you. I enjoyed our conversation yesterday, in which we had an opportunity to discuss a lot of these issues, but for the purpose of the record here I would like to go back over a few issues.

Let me also welcome, as our ranking member, my colleague, Senator Kassebaum, with whom I have the pleasure of serving on two

other committees. I look forward to continuing to work with her, and with Senator Wofford, our committee's newest member, for many years.

I would like to start out, if I may, just briefly, on the Family and Medical Leave Act, which won't come as any great surprise to you or anyone else, given I have now spent some 7 years trying to get that legislation adopted. We were able to pass it last year, but, unfortunately, the President vetoed the legislation and, despite the Senate's override of that veto, we failed in the House of Representatives.

I know the President-elect has spoken eloquently and firmly about his support for family and medical leave legislation, but it might be helpful for us here this morning, if you would just take a minute or so and talk about that particular concept, as well as glass ceilings, child care, so-called flexible work schedules and so forth, in the context of the broader issues of workplace/family conflict. I think sometimes people see these issues as isolated policies that are nice things for businesses to do, but do not see them in the context of what we need to do to achieve the desired economic goals stated by the President-elect and you earlier this morning to increase productivity and reduce unemployment. How do these issues relate to that larger question beyond their particular attractiveness as individual issues?

Mr. REICH. Senator, I mentioned this morning that the high-performance work organizations, those companies in America that are doing the best, that are industrial leaders, they already provide their workers with family and medical leave. They provide a good working environment, a safe, healthy working environment. They bring their workers in to participate. They have a great degree of worker involvement. They promise and they fulfill their pension obligations, not just to workers at the top, but all their workers, and they benefit from all of these provisions.

The challenge for us, it seems to me, is to make sure that other American companies understand that, in the long-term, these are all in their interest, as well. Capital markets tend to be relatively shortsighted, very often.

With regard specifically to the family and medical leave, the trend is unmistakable. We see it in all industrialized nations. Two wage earners now are the norm, or you have single parents who are becoming in many families the norm, they need family and medical need, they need a flexible workplace. Those companies that are providing it to them are having their pick of some of the best employees that are now available.

President-elect Clinton is fully supportive, strongly supportive of the Family and Medical Leave Act, and looks forward to signing it. It is an appropriate, positive, important step and it is timely.

Senator DODD. I appreciate that very much, and our hope is to move it quickly. The Chairman has been tremendously supportive, as have others. We have strong support within the Senate for the legislation and look forward to being able to pass it at an early date.

Let me move quickly to another subject you have touched upon, and that is the whole question of the growing disparity between the levels of education within the work force.



I have heard it said—and you can correct me, if I am wrong on this—that by the end of this decade, less than 1 percent of all new jobs in this country will be available to people who have less than a high school diploma, and that 21 or 22 percent of the jobs will be available to people who have just a high school diploma. I do not know if those numbers are correct or not, although I have been told they are fairly accurate, and, that roughly some 75 percent of employment requires some educational experience beyond a traditional high school diploma.

Too often, it seems to me, we have thought about job training in the context of a crisis. Currently, only when you receive a pink slip do you qualify for federally assisted job training. So it is after workers are laid off that everyone scurries around trying to figure out how to provide job training. In fact, there are reported incidents where pink slips are being given out early, in order to allow people additional time for federally assisted training.

I wonder if you might share with us some ideas on how we can get beyond this crisis made of job training—training to respond to the shutdown of a plant, or to the defense worker who has lost his job because we no longer feel it is necessary to build certain equipment—a way of assuring that training and retraining become part of a seamless garment of improving the quality of productivity and employment in this country.

Mr. REICH. Senator, we in this country have pioneered a universal system of education, kindergarten through 12th grade. We take it for granted that that is something that everybody does, everybody goes through, or at least should. We obviously have a big dropout problem in this country, but at least it is available.

What we need to do in this country, it seems to me—and this is not necessarily only or even primarily a Federal responsibility, we need to work with the States, with private not-for-profit institutions and with companies, as well—we need to think of lifetime learning, a system that begins with graduation or possibly even for a kid that maybe can't graduate from high school, but continues all the way through his or her lifetime, providing training periodically, providing upgrading.

American companies are now spending \$30 billion a year training their workers. That is a very impressive sum. The problem is that \$20 billion of that \$30 billion goes to workers who already have university degrees, not to those who need it most. So we have to figure out how to concentrate those resources, both public and private, on the workers who need that continuous training and upgrading.

In the worst of all worlds, workers are going to be displaced. This committee has taken the lead on providing workers with adequate warning of job loss and providing them, therefore, with at least some lead time to get training and to prepare themselves, and we have to, again, as I have said repeatedly this morning, worry about those permanently dislocated workers.

Senator DODD. Last, Senator Metzenbaum has raised the issue of OSHA. We went through a tragic experience in Connecticut a number of years ago, in the second largest construction site accident in history, which resulted in 28 deaths, at L'Ambiance Plaza in Bridgeport, CT. As a result of that, Senator Weicker, now Gov-

ernor Weicker, became interested, as well as Congressman Shays, myself, and others, in construction safety.

I won't ask you today specifically to comment on the bill as I would not necessarily expect you to be familiar with the details of it. However, I would ask that you take a look at what administrative measures exist within the Department to deal with some of these issues, which will assist us in improving construction safety. In fact, I might suggest there are a number of areas where the Department had an opportunity to step up and do more in these areas, but because that did not occur, an awful lot of legislation was initiated to try and achieve the same results.

You might find in looking over some of the ideas, that we have had legislatively, that the power exists within the Department to deal with a lot of these problems. But I ask you, if you would, to take a look at this.

Mr. REICH. Certainly.

Senator DODD. Mr. Chairman, I will yield the remainder of my time.

[The prepared statement of Senator Dodd follows:]

#### PREPARED STATEMENT OF SENATOR DODD

Good morning. Professor Reich, it is a pleasure to welcome you to our committee and my congratulations to you on your nomination.

As I have travelled around my own State of Connecticut and across the country over the last several months, there is a feeling that our Nation today is on the brink of a great change—change which will assure a quality education for all children; access to health care for all Americans; a cleaner environment; renewal in our Nation's cities; and safe, good jobs for American workers.

But achieving significant change will not be easy. Our Nation is confronted today with a host of problems from a huge Federal deficit to an anemic economy. Too many children go to school hungry and too few graduate from high school with marketable skills. However, Americans today seem ready to tackle these problems and rebuild our country. We, here today, are in a privileged position—we can play an important role in this process. In this regard, I know your ideas and your leadership will be influential and helpful as we move forward.

And your role will not be a small one at the Department of Labor or, as you more correctly identify it, the Department of American Jobs and the American Workforce. 9.2 million Americans are currently looking for work. 1.3 million manufacturing jobs have been lost in the U.S. since 1989. In my State alone, we have lost 170,000 jobs in the last several years, many of these losses are concentrated in defense-related industries.

While I have faith our economy will emerge from this recession, I believe it will be a fundamentally different economy. The Department of the American Workforce will, under your leadership, develop a strategy to help America and American workers meet the challenges of our changed economy.

Before we hear about your plans for the Department, I would like to share with you some of my special concerns—ones that I hope will also be important to the Labor Department.

With close to two-thirds of women with young children working, we need a national policy for family and medical leave. Job protection during a family or medical crisis should be a minimum standard for our Nation's workers. Unfortunately, although many employers have instituted excellent policies in this area, too many workers are left without protection. I look forward to working with you to assure that workers do not have to choose between their jobs and their families.

We must also renew our commitment to safe and healthy workplaces for all workers. Each year, 10,000 workers die on the job, 100,000 lose their lives to occupational disease and 6 million are injured. In 1970, Congress passed landmark occupation safety and health legislation and made a pledge to assure worker safety and health—it is a pledge we have not yet kept. I hope you will give special attention to improving the performance of the Occupational Safety and Health Administration; much work remains to be done, even as we continue our work here in Congress to strengthen these important laws.

Finally, I know strengthening our Nation's investments in its human infrastructure will be at the top of your agenda as Secretary of Labor; I hope, however, that you will not forget the special plight of dislocated workers, especially those in defense-related industries. These workers are some of our Nation's most highly trained and skilled; and, yet they find themselves on the unemployment lines or in low-paying service industry jobs because of the decline in Federal spending. As you know, this problem is especially acute in my home State of Connecticut, where job losses in the defense industry in the next 6 years alone are expected to approach 40,000. We must work together to find a way to bring these workers and their skills back into the economy and I look forward to beginning this task with you.

Once again, I appreciate your being with us this morning. I look forward to getting your views on some of these important issues during the question and answer period. More importantly, I hope your Department and my office can work on these issues together during the 103d Congress.

The CHAIRMAN. Thank you.

Since Senator Dodd mentioned this issue and has introduced legislation, how current this is, just this morning in Hudson, MA, 22 people were reported injured in a construction accident where a floor apparently collapsed on a new computer chip plant being built there. The victims of the accident were taken to several area hospitals. Two were hurt critically. Obviously we are mindful of the suffering of those individuals and the families. These questions go on, and they happen every day. We really haven't done what we should in terms of the protection of the work site. So we hope we will have your views on these issues at an appropriate time.

Senator Coats.

Senator COATS. Thank you, Mr. Chairman. I apologize to you that I wasn't here to hear your opening statement and the line of questions. Senator Kennedy and I were both tied up in the Armed Services Committee hearing with Chairman Aspin. Senator Kennedy's seniority allowed him to get over here quicker than mine did. I was down the line a little bit.



I just have a couple of questions for you. It is my understanding Senator Kassebaum earlier asked some questions about the number of current employment training programs that currently exist, most of which are run out of the Department of Labor.

The specific question I have is your evaluation of the Job Training Partnership Act, its effectiveness, what changes might need to be made. We recently not only reauthorized, but made some changes to that program. If you have had an opportunity to study that and look at it and compare some of the former programs, the CETA program, and give us your thoughts on that, I would appreciate it.

Mr. REICH. Senator, I am aware that there has been very recently an evaluation done. In fact, the reports of the evaluation are either just coming out or they will be available very shortly. So I am afraid I cannot at this point give you a very informed answer about that.

Senator COATS. Well, when you do have that opportunity, I am sure we will have the chance with this committee to get your views on that.

Second, I wanted to bring to your attention, because this will be something that will affect your Department and I think be a more immediate question given the current drawdown in the Department of Defense. In response to an authorization, something that was authorized and appropriated last year, a Defense Conversion Commission was created. They have some pretty good people on that commission, and they have just finished their work. I am not even sure this is public yet, but they just have issued a report called "Adjusting to the Drawdown." It is the report of the Defense Conversion Commission. It is dated December 31st.

It comes up with some very interesting conclusions, I think, and some surprising conclusions and makes recommendations as to how we ought to go forward with this. It will have a direct impact on the Department of Labor, and I would commend it to you to look at as you are evaluating your recommendations and policies relative to that transition and that conversion that is going to take place with both people separated from the military and workers in defense plants that no longer have employment there.

Mr. REICH. I look forward to reading it.

Senator COATS. My third and last question is relative to your book, "The Work of Nations," which has probably already been referred to here. I have enjoyed reading through it. While I haven't read it all, I have read substantial portions of it. I am not exactly sure—maybe the President-elect isn't even exactly sure yet—of just how the whole economic team is going to function and work and so forth. But I was interested in some of your proposed recommendations and solutions to the challenge which you outline in Chapter 20 called "The Problem Restated." I figured if I read that I could skip the first 19 since you were restating it in Chapter 20. [Laughter.]

As I understand it, the problem restated is summed up in one sentence here: "Hence, the challenge, to improve the living standards of the majority of Americans now occupying the two latter categories who are losing ground in the global economy." And you define three categories of workers for the future.

Now, first, you do admit that the problem—you say the problem is far from insoluble, and you do say that there is a range of potential solutions. The first response which you suggest is to make the income tax much more progressive and closing what you call some gaping tax loopholes. And in doing so, you reference Woodrow Wilson's proposal to Congress to enact a steeply progressive tax code with a top rate for individuals of 83 percent.

Is this the kind of proposal you are going to be advocating to the Clinton economic team relative to how to deal with this basic challenge that we face?

Mr. REICH. No.

Senator COATS. I am happy to hear that.

Mr. REICH. Senator, in context, I do feel that it is important and President-elect Clinton feels that it is important that all Americans, both at the top of the income ladder and also in the middle and at the bottom, all roll up their sleeves and pitch in to get on with the investment strategy that has to be undertaken, both public investment and private investment.

Putting people first, the President-elect's set of economic proposals does recommend and he is committed to an increase in the marginal tax rate of people whose adjusted gross incomes, families whose adjusted gross incomes are \$200,000 up to 36 percent. And let me also recommend or at least restate something that I have stated very often in the past. Bill Clinton is his own economic chief. He asks for a lot of advice from an awful lot of people, but he makes the economic decisions.

Senator COATS. Well, I think we learned some of that during the campaign, and 36 sounds good after 79 or 83. It is a tried and tested political technique to offer a high number and have everybody says, "Wow, it is only going to be 36 percent."

On Chapter 22, my last question here, titled "Uses of Vestigial Thought," you indicate that taxes on the wealthy must be lowered, public spending must be cut, and government budget deficits must be reduced. These propositions, so much in vogue in the last decade of the century that they were nearly qualified as articles of faith among the policy makers of the United States and elsewhere, are basically vestigial thoughts.

Now, some of that seems counter to what President-elect Clinton has indicated. We talked about taxes on the wealthy, but the fact that reduction of public spending and particularly government budget deficits, addressing the government budget deficits, I wonder if we could just set the taxes aside and even the public spending aside and just address the question of deficits.

Why is that a vestigial thought when the President-elect has basically said that is one of his top priorities?

Mr. REICH. President-elect Clinton is committed, Senator, to reducing the budget deficit in context. The purpose of that particular thought was to make what I consider to be still a very, very valid point, and that is that there are different kinds of deficits depending upon what you were using the money for. Borrowing itself is no great sin. Companies borrow all the time. But borrowing for investing, for building up your future productivity, is very often appropriate. Borrowing simply to consume is what gets you in trouble.

The objective, it seems to me—and, again, I can't speak for the President-elect. He speaks for himself. He's the economic policy maker. But the objective broadly, it seems to me, is to move from too much public and private consumption to a greater degree of public and private investment. That is what will get out country back on the right economic track.

Senator COATS. Where would you classify entitlement spending? Would that be investment or consumption?

Mr. REICH. Well, again, that is an issue that I want to leave for the President-elect. At this very moment he and some of his advisers are working developing the package which members here will have an opportunity to examine and be involved with. So I don't want to spill the beans. I don't want to get out ahead of him.

But let me just say that, in my view—and, again, it is my view—some entitlement spending, so-called entitlement spending, would fall into the category of consumption. It doesn't have anything to do with future investment. But some entitlement spending may have a lot to do with building the future productivity of the Nation.

By my lights, the criterion ought to be, with regard to separating consumption and investment, what is it that is merely enhancing the well-being of people here today? And what is it that is building the future productivity of the Nation?

Senator COATS. Well, I am not an economist and never pretended to be, but it seems to me, just on the face of it, that we have some incompatible goals here—a pledge by the President-elect to halve the budget deficit, an indication that there needs to be substantially more investment in infrastructure and in hard assets. I can't see how you can accomplish that without a very substantial reduction in entitlement spending.

Mr. REICH. Well, Senator, the President-elect is going to be—is struggling with that issue. He has some ideas. I and many others have been advising him, and shortly he will present his draft, some of his ideas. He will be collaborating with Congress, working toward the end of both increasing public investments and also reducing the budget deficit.

Senator COATS. We will look forward to that presentation.

Thank you, Mr. Chairman.

The CHAIRMAN. As you know, 85 percent of the increase in entitlement spending is on health care, and that is only a quarter of the budget. You could cap it today, and all you would be doing is shifting the cost burden onto the private sector, which would be even more of a dampener in terms of economic expansion, in terms of creation of jobs. So I think we all understand that these issues are complex and really are going to require careful judgment in terms of recommendations of the administration.

Senator Simon.

Senator SIMON. First, I just want to join in welcoming Senator Wofford to the committee, who is going to be making a constructive contribution here, and at the time it becomes official, we will officially welcome you and Senator Kassebaum. But we are pleased to have you here anyway.

I am pleased to have you as the Secretary of Labor-designate. I jotted down some adjectives as you were testifying: energetic, practical, compassionate. You said of the chairman that one of his great



assets is that he cares, and you are right. But it is also an asset of Bob Reich. And I want a Secretary of Labor who cares, and I think we have one.

Then finally, creative. When you say the Department of Labor will become a center of America's strategy for economic growth, I don't think there is any question that the Department of Labor is going to become that. And I welcome that.

I would mention for the record also that in 1991 Fortune Magazine listed 25 Americans who had contributed to making America competitive, and one of those 25 was Robert Reich. And I think having Robert Reich as Secretary of Labor is a great step forward.

Now, my colleague, Senator Dodd, mentioned OSHA reform, and in that connection, let me mention there is in Illinois the National Safe Workplace Institute, founded by a young man named Joseph Kinny, whose brother was killed in a construction accident. And they do some excellent work. If you are not familiar with them, I think it would be worth taking a look at their work.

Part of what is in the OSHA reform bill can be handled through regulation. For example, I have an amendment that is part of that that says when there is a hearing on a workplace accident resulting in an injury or fatality, when the victim is either dead or unable to participate, is in a coma, that the family should be able to testify at the hearing. You can do that. We don't need to pass a law. But if we have to pass a law, I am for doing it.

It seems to me there are some very practical things that can be done so you don't end up with OSHA deciding there has been a wrongful death and a factory, a corporation, is assessed a \$2,400 fine. You know, that affronts everyone and doesn't do what should be done.

Second, Senator Pell mentioned the WPA concept, which I have discussed with you briefly, also. I recognize that to move in this area massively would be expensive. But we are faced with a situation where, after each recession, we accommodate to a little higher level of unemployment. I am old enough to remember when one President of the United States was being attacked because we had reached a 4 percent unemployment rate. How we would love a 4 percent unemployment rate today. And I think after this recession you are going to see the same thing, more and more people falling through the cracks.

I would hope that we could at least have a demonstration project so that we see if it really does pay to pay people for being productive rather than nonproductive. People who are on welfare aren't there, with rare exceptions, because they want to be there. They don't see any hope. They don't see any choice.

I am just wondering if you could elaborate on your response to Senator Pell whether you could support a demonstration project. Obviously our society is different today. For example, the old WPA was largely male-oriented. That is going to have to shift. But a demonstration project along the line of WPA, whether that—and I might add Senator Wofford has worked with me on this—whether that doesn't make sense. Any reaction?

Mr. REICH. Well, certainly, Senator, a demonstration project along these lines sounds very reasonable to me. I can't commit at

this point to anything, and don't want to, but I certainly promise you to look into it.

Senator SIMON. All right. That is a good diplomatic answer that won't get you into any trouble. We will try and get more out of you a little later on. [Laughter.]

Let me shift to another area. Sixteen percent of our work force, working men and women, belong to organized labor. But if you take out the governmental sector, it is 11.8 percent. No other country, no other industrial country, with the exception of South Korea, has that kind of a low rate.

My question is: No. 1, do you think this is healthy? No. 2, if it is not healthy, what can we do about it?

Mr. REICH. No. 1, I don't think it is healthy, Senator. I think that workers need a voice. And as I have emphasized in this hearing repeatedly, that is linked to productivity. Where workers are involved in participating, where they have a voice, you find companies that are much more productive and more profitable. It is not just productivity. It is also profitability, better jobs.

As you stated, in the private sector organized labor is down to 11.8 percent, and it is going down. With regard to young people entering the work force, it is much lower than that. And I think part of the reason is due to the 1980's, to some obstructions and some difficulties that labor had organizing itself, given the unfriendly environment, regulatory environment. And I will do everything I can to make that environment more friendly.

Of course, the Secretary of Labor doesn't have direct control over that environment. That is the National Labor Relations Board. But there is an indirect relationship there.

But also part of the problem, it seems to me, part of the trend is due to technological changes, to long-term changes in international trade, and therein it strikes me, it seems to me, that organized labor also has to be very creative about the future.

Where is that labor movement going? What can be done to make organized labor and the labor movement more relevant to the flexible organization of the future?

I mentioned before the Saturn plant, the Chrysler LH, some of the new experiments happening in Boeing. There is a great long list of labor-management collaboration, with the unions, that seems to be working extraordinarily well. And I would hope that management and labor both could be focused on those successes.

Senator SIMON. I agree with your response, and the 11.8 percent, in fact, discourages productivity in our country. It is not healthy for either labor or management. But I think we have to take a look at concrete ways of encouraging a better climate there.

You are from the Massachusetts area. I held hearings not too long ago on job training, some of these programs to help young people. And Jackie Gelb, the executive director of YouthBuild Boston—I don't know if you are familiar with that program at all. Anyway, she testified YouthBuild Boston is forced to turn away ten young people for every one that it accepts into the program for lack of room, and that is with virtually no publicity.

Then we had a young man testify. His name was John James, a young African American who had dropped out of school, whose life just got turned around through this YouthBuild Boston. And I



asked him how many people were in the gang he belonged to, and he said about 20 to 25. And I then said, Let's just say of the 20 who are in the gang, if a program like this were available, how many do you think would come in out of the 20? And the young man replied, "I would say at least 15. At least 15."

I mention this because we have—there are a lot of things we don't have to invent. We have some really good things, but we need to fund them. And one of the things that you will have to do, I hope will do—and I would like you to comment on it. You are going to run into problems, real candidly, with my friends Leon Panetta and Alice Rivlin in the Office of Management and Budget. And I have seen two different kinds of Cabinet people: those who just roll over and accept whatever OMB gives them, and those who get in there and say, you know, this program is really important, we need more funding. And sometimes they have to go—I remember Ted Bell doing this when he was Secretary of Education. Sometimes they have to go to the President and say, you know, this really ought to be a priority. This is part of the investment we talked about in the campaign.

I have received the signal my time is up, but I will give you a softball question, but I want a hardball response in the years to come. The softball question is: Are you going to fight for these kinds of programs that really are so important for the future of this country?

Mr. REICH. Well, Senator, let me give you a softball response. The answer obviously is yes. But I want to say one further thing, and that is the President-elect Clinton put together a group of people, has tried to put together a group of people who are not going to simply play tough with each other but going to be a team. The Secretary of Labor is going to be a member of the National Economic Council, sitting there at the table. That symbolizes, I think, the President-elect's concern for these issues.

The President-elect wants to invest in the public, wants to invest in people. So I don't think you need to worry. I certainly don't worry about commitment there. There is commitment there. There will be investment. And I will be right there at the table making sure that there is.

Senator SIMON. If I may follow through, I should know this but I don't. Is the head of OMB part of the National Economic Council?

Mr. REICH. Yes.

Senator SIMON. OK. Thank you. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Harkin.

Senator HARKIN. Thank you, Mr. Chairman.

Again, I want to join my colleagues in congratulating you, Mr. Reich, on your selection to be our next Secretary of Labor. You have been one of our country's leading voices for increased investments in human capital and identifying the pivotal role those investments play in our long-term economic growth.

You understand that a well-trained, well-educated work force is essential to making our industries productive, our goods competitive, and our economy healthy. There is a debate going on right now within the Clinton economic team and around the country as to whether one is a deficit hawk or an investment hawk. Please put me in the investment hawk category.

It is sort of like looking at the doughnut. You either see the hole or you see the doughnut. I think those that concentrate too much on the deficit are saying how terrible things are right now without looking at the potential that we have as a country, the tremendous resources that we have, the talent that we have, and what a little bit of investment today will create 5 or 10 years from now.

So I am greatly heartened by your response to the questions of my friend and colleague from Indiana, that we have to make those investments not for consumptive purposes now, but to invest to determine what our productivity is going to be five and 10 years down the road.

Under your leadership, I think that the United States is going to be the place where the skilled labor will be, and that is where the jobs will go. And you understand also that we must not only invest in our workers, but respect our work force. That requires strengthening the rights of collective bargaining, and I am heartened by what I just heard in your response to Senator Simon's questions, improving conditions in the workplace and creating high-skilled, high-wage jobs.

So I am thrilled to see you here, and I look forward to working with you, at a minimum, over the next 4 years, and hopefully beyond that.

I have about three or four very short questions. Will President Clinton present Congress with an economic stimulus package shortly after his inauguration? And if so, what role will human resource investment play in that investment stimulus package?

Mr. REICH. Senator, as to whether there will be a stimulus package and, if there is, how large it is, that decision has not yet been made, and when it is made, that is the President-elect's decision, obviously. But with regard to the second part of your question, undoubtedly human resource investments are going to play a major part in the long-term plan regardless of whether and to what extent there is a stimulus package.

President-elect Clinton will be presenting to the Congress, will be working with Congress to develop a long-term plan that is intended to increase public investments, but also to reduce the budget deficit—quite apart from the stimulus. The stimulus may or may not occur. Again, if there is a stimulus, it may be large, it may be small. That is a separate issue from the long-term, five-year and on, agenda in order to invest in our work force, invest in our infrastructure, and also push that budget deficit, get that under control.

Senator HARKIN. I appreciate that. One part of investing in our human resources is to ensure, as Governor Clinton has said many times in his campaign and since, that we not waste one person in this country. As you may know, I chair the Disability Policy Subcommittee of this committee. Two-thirds of all Americans with disabilities, about 12.5 million people between the ages of 16 and 64 are not working at all. About 60 percent of those not working receive either insurance payments or some kind of government benefits.

Again, this doesn't have to be. Most people with disabilities are not only able and capable, but want to work. They need a little bit of support and some training.

The Labor Department has an integral role to play in meeting the job training and employment needs of people with disabilities. As Secretary of Labor, you are going to be responsible for a variety of job training programs and for enforcing the affirmative action requirements for government contractors under Section 503 of the Rehabilitation Act of 1973.

I want to assure you that as the chairman of this Disability Policy Subcommittee, I will work with you to ensure that the Labor Department's ongoing programs and its new job training initiative provide for the employment needs of people with disabilities, and that they are not left out in terms of job training provisions.

Again, that is more of a sermon than it is a question, but I hope you would share with me your thoughts, the need to ensure that job training programs, work force retraining, skills training, all bring into account that people with disabilities are not left out in this work force training.

Mr. REICH. Yes, Senator, absolutely. I have perhaps a special sensitivity to people with disabilities. I this summer went through a painful operation replacing my hips because of a congenital disability, and that gives me just a little bit of a sense of what many people in the workplace, many Americans who are not in the workplace are going through today.

Senator HARKIN. Thank you. I appreciate that.

My Subcommittee on Labor, Health, and Human Services appropriations has found serious weaknesses in enforcement of the minimum wage and overtime provisions in the Fair Labor Standards Act. In fact, in hearings before my subcommittee last year, the inspector general of the Labor Department recommended several ways that the Wage and Hour Division could improve the effectiveness of its program by increasing its ability to detect and deter violators of the Fair Labor Standards Act.

Can you assure me that your Labor Department will immediately look at the advice of the Inspector General, his suggestions, and to do what you can to detect and deter violators of the Fair Labor Standards Act?

Mr. REICH. Yes, Senator, I can assure you that, if confirmed, I am going to be looking at how we can beef up that inspection and the discovery of violators of the Fair Labor Standards Act.

Again, I want to underscore my sense that at the Department of Labor there are enormous numbers of very talented, very committed people. I just want to make sure their commitments and their talents are fully utilized and mobilized and directed toward these important missions.

Senator HARKIN. I have another question that deals with worker training. As chairman of the Labor and Health and Human Services Subcommittee on Appropriations, I have observed that Health and Human Services, Education and Labor all have separate work training programs, and sometimes a person who is out of work and seeking some type of job training gets bounced from one to the other.

Again, I don't have a solution other than to hope that you will work closely with the new secretaries of those other departments to form some type of inter-agency task force to provide for some type of one-stop shopping, so that a person who is out of work



doesn't get bounced from Health and Human Services to Education to Labor, and then they start the circle all over again, and after about two or 3 weeks of that, they are so disheartened, they don't even go back again.

This is a problem that we have seen repeatedly, and I look forward to working with you to try to provide for some type of one-stop shopping to alleviate this kind of problem.

Mr. REICH. Senator, I look forward to working with all of you on that issue. As I get into looking in detail at these Federal programs, I am struck not only by how many there are, but how many there are that are targeted to particular populations, and I would very much look forward to your advice as to how and to what extent we can create a comprehensive one-stop shopping system for worker training and dislocated workers.

Senator HARKIN. I would be glad to work with you on that.

Last, and I don't expect an answer, but perhaps I would like to just submit this to you in writing for your further consideration: You have in the past talked a lot, obviously, about high-tech jobs and the need to think about what the American work force, an educated American work force can contribute to the world economy.

Right now, the Federal Communications Commission is in the process of selecting a standard for the broadcast transmission of high-definition television. The FCC plans to select a standard based primarily on the recommendation of an advisory committee, which, in turn, has developed and plans to rely on certain criteria to make its recommendation. I have looked at that criteria, which failed to include consideration of the impact of the selection on job creation and maintenance in the United States of America.

Again, I would hope that perhaps you would take a look at this, as soon as you assume your position as Secretary of Labor with others in the government, to see if perhaps we shouldn't also have as part of the consideration criteria, the selection of the standard and what it would mean in terms of job creation and maintenance in the United States. This seems to be left out of the equation.

I see my time has run out, but perhaps I could send you a letter on this, so you could consider this and respond in writing.

Mr. REICH. I certainly would.

Senator HARKIN. Thank you very much.

The CHAIRMAN. Senator Mikulski.

Senator MIKULSKI. Thank you, Senator Kennedy.

Dr. Reich, I look forward to supporting your candidacy for the Secretary of Labor-work force position, and I do it with eagerness and I do it with enthusiasm.

I recall with a great deal of fondness the retreats that we have been on in which we have gone over these issues and read many of your works, and I think you are the right person for this job at this time.

Senator Pell referred to another Secretary of Labor, Frances Perkins, who was the first. I view that this time is as much of a defining moment as when Frances Perkins took over this job, and many of the issues are parallel. The difference is the American economy.

When Frances Perkins became the first head of the Department of Labor, we had new immigrants coming into the work force, many of whom could not speak English. Many women were also coming

into the work force, like Rosie Schneiderman who was one of the great union leaders and advocates of creating the Department of Labor. She was concerned about the Triangle Shirtwaist fire, in which women were killed because of the lack of occupational safety.

So we could go through all of those issues, but that is what Frances Perkins found, and the issues sound remarkably similar today. The difference was the American economy was expanding and expanding in a robust way and, therefore, the needs of the workers were treated in almost a cavalier way.

In this defining moment, employers, both public and private, large and small, talk about the need for work force readiness and the need for workers also to have a work ethic. But what is often left out in their conversations is workplace readiness, the workplace readiness for the new dynamics of the work force.

We now have many people coming in who cannot speak English. Ford Motor Company, in Senator Simon's hometown of Chicago, tells us that there are 42 different languages that are spoken on the factory floor.

We also have the fact that women are in the work force and they will be here to stay.

Could you share with the committee really what your overall plan would be for workplace readiness? As we get the workers ready for the jobs, I truly believe the work force must equally be committed to change, as we are for the training of the workers themselves.

Mr. REICH. Senator, I couldn't agree with you more. Again, training workers, trying to do it through mandates, through particular grants is fine, but we also need to have a work force that is ready and a workplace that is ready to take those workers.

It is interesting to me that the high-performance work organizations of America, those companies that are doing the best are doing the best jobs with regard to all of the issues we have been talking about this morning.

The question that I have in my head—and I don't have any easy answer, I don't have an automatic answer for you, I think it is going to be a multipronged strategy—is how to get the rest of American business to understand that profits and productivity rest in treating their workers as their most precious asset, understanding that a corporation is not a collection of financial resources, it is a collection of human resources. Many companies do that. The best companies do that.

But again, I am going to be working on a strategy with all of you, hopefully with the States and with private corporations and chief executive officers, to try to develop a broader understanding and a broader consensus with regard to that issue.

Senator MIKULSKI. I know a large part of that conscious raising will be done by the President himself and certainly by our very able Vice President.

When we talk about the attitudes toward workers and the mechanisms needed in place to welcome them, we are talking about very specific things. Our colleague Senator Dodd talked about family leave, the whole issue of day care and child care. Senator Durenberger and I and others met with business about actual language

training in the workplace, the whole idea of literacy, tech prep, and those things that did help.

But one of the things that is also overlooked is the issue of bigotry and how bigotry is worked out. We act like there is bigotry in American society, but then we don't look at the segments where bigotry is acted out.

Probably the most crucial place where negative stereotypes are acted out is in the workplace, and those stereotypes usually are always based on race, gender or another type of physical condition, as you and Senator Harkin just discussed. I would hope that that also would be one of the issues we look at, not only in terms of access to employment, but the very nature of the environment of the employment. Of course, an area that I would be particularly interested in is in the area of sexual harassment, whether that occur in any institution within our society, whether it is that workplace, this workplace or any workplace.

So we know that we are not looking for a laundry list, but I think this is a tremendous opportunity, and I think Frances Perkins, her memory, and this would go well. We hope that you would note that.

I don't know if you want to comment on that.

Mr. REICH. Well, just to underscore many of the points that you made, Senator, discrimination against women in nontraditional occupations is particularly of concern to me. Discrimination against women, minorities and disabled is obviously of concern to us all, and the best companies are not doing it. We have to root that out. We have to deal with that issue.

Senator MIKULSKI. Thank you very much.

Thank you, Senator Kennedy.

[The prepared statement of Senator Mikulski follows:]

#### PREPARED STATEMENT OF SENATOR MIKULSKI

I'd like to welcome, Robert Reich, the Democratic nominee for the Secretary of Labor to the U.S. Senate this morning. The job of the Secretary of Labor is one of the important leadership positions that a person can hold in America in this decade.

I have had the pleasure of meeting Bob Reich. He is a smart and personable man who I believe is well qualified to do the job. His scholarly input and sensitivity to work force issues will add new life to the Department of Labor.

In a nutshell, America is going to need every able bodied person educated and trained for a skill or profession if we are to compete in the 21st century.

The skilled, unskilled, men and women, and, of course, our youth.

And then there are what I call the older more mature workers—aged 40 and over who have very special needs. Many of these people want to improve their skills and become a part of the new technology age.

Our efforts will be needed in several areas. One of the most important is to figure out how to retrain our work force for the new high tech world.

We know we've got a number of unskilled workers, especially youth that need our attention.



But we've also got skilled workers who cannot find employment. There are blue-collar workers who have worked all their adult life at the steel mill who cannot find a job. These people need help too.

Our Nation's schools, especially the community colleges, have taken on the responsibility of retraining our work force for alternative careers. Our community colleges have done a wonderful job at helping them.

The Department of Labor can continue to support these kinds of efforts by working with the other departments like the Department of Education and Health and Human Services to make the country the best it can possibly be.

I am confident that Bob Reich's ideas will be able to energize the Labor Department so that it can address these issues.

The CHAIRMAN. Thank you very much.

Senator Wellstone.

Senator WELLSTONE. Thank you, Mr. Chairman.

First of all, it is getting late, so I am going to be relatively brief and move right along. I, too, am really pleased to serve on this committee with the ranking minority member, Senator Kassebaum, who I think, even when we are not in agreement, has a wonderfully supportive style of leadership, and I really look forward to working with her, and I welcome Senator Wofford.

It is the pits, isn't it, Harris, to be at the end of the line in this committee process? [Laughter.]

I have asked the Chairman to think about some standard of fairness, and so far we just haven't gotten anywhere, but maybe now we will have two advocates for reform.

Did you want to respond, Mr. Chairman? I knew he was going to respond.

The CHAIRMAN. When I was a junior member of the Judiciary Committee, Sam Ervin asked the Attorney General two and a half days of questions before I got a chance to question him, so consider yourself very lucky. [Laughter.]

Senator WELLSTONE. I consider myself very lucky. [Laughter.]

Let me, first of all, say that I think to talk about the memory of Frances Perkins is right on the mark. When I heard "Professor" Reich, that sounds good to me. Secretary of Labor sounds even better, and I am just very, very honored to support you for this position.

Also, when I heard you talk about how honored you were, it just felt right to me, and I believe you will be the kind of Secretary of Labor who will do well for the American work force and for people in this country. There is just absolutely no question in my mind.

The second point I want to make is, having read many of the books you have written, assigned a good many, and many of the articles that you have written, as well—I am just trying to butter up to you, you know. And having heard you speak about paper entrepreneurship, and about how not all debt is created equal, and about the importance of strategic investment in the economy, and then being in an audience and hearing you say, "I used to be six-six, until I started worrying about the economy," I knew then you were my choice to be Secretary of Labor. [Laughter.]

On a more serious note, since lots of questions have been asked, I am going to highlight my concerns and I am going to put questions to you in writing, if that is all right.

Mr. Chairman, I also have a statement that I would like to have included in the record.

The CHAIRMAN. It will be included in the record.

Senator WELLSTONE. I would like to emphasize the question or questions that were raised by Senator Metzenbaum about the North American Free Trade Agreement. I would also like to emphasize the question I understand Senator Simon asked about labor law reform, that is to say some kind of balance of power between labor and management, which I think is so key to a really productive working relationship. I intend to explore these issues with you further in the near future.

I don't know that Senator Durenberger mentioned this, but we both come from a State that is doing an awful lot in health care, and I think everybody on this committee is committed to universal health care coverage, but the ERISA problem and exemption and whether or not States can move forward with flexibility with their own models is something I look forward to working with you on.

Finally, I think Senator Kennedy's opening question, if you will, was right on the mark, because when I heard you emphasize, Professor Reich, that it is important that we not educate and train people for jobs that do not exist, and when I heard an emphasis on creating jobs in our economy that people can count on, that is to say jobs with decent wages and decent fringe benefits, it occurs to me, yes, there is a budget deficit, but there also is an investment deficit, and I dearly hope we won't put that in parentheses, we won't put that in brackets, because I think it is so key to what we need to do for our economy.

This all leads me to just two quick questions. One, how do you see yourself working with the small business section? I am on the Small Business Community and I really love serving on that committee, and we read often about how small businesses create many of the jobs in the economy, and I think we all agree on the importance of home-grown economies, with local entrepreneurship, with business people living in their communities, and working in their communities. How do you intend to work with the small business community around this goal of an economy that generates jobs that people can count on?

Mr. REICH. I want to work, Senator, very, very closely with the small business community. I emphasized in my opening remarks my particular sensitivities, going back to my own roots with regard to small business. The small business community very often has felt, and I think appropriately felt, that government was imposing some burdens on them that perhaps were unfair or disproportional. I want to work with them. I want to have a very, very close working relationship with small business. That is very high on my agenda.

Senator WELLSTONE. The second point I guess I would like to ask, this question I believe was raised by Senator Pell, but just to take it a bit further: Where do you see the Department of Labor and yourself fitting in, or what kind of role do you see yourself playing in relation to this monumental challenge before us, which

is that we don't just sort of spit people out of the economy as we see further reductions in the Department of Defense Budget? I mean where do you see the department fitting into this?

Mr. REICH. I see ideally a very close working relationship, perhaps a task force itself between the Department of Labor and the Department of Defense, perhaps the Department of Education and also Commerce. There have been a number of discussions, I know, here on this committee and other committees in the Senate and also in the House on putting together such a unit. That seems to me to make enormous sense, so you have the institutional capacity across departmental lines to deal with these problems, which really in fact do cross departmental lines, so that you have the capacity to deal, for example, on the one hand, with defense cutbacks, but worry simultaneously about the training and the jobs that people are going to get at the other side.

Senator WELLSTONE. One set of concerns that I did not highlight, I just want to be on the record on this, Senator Metzenbaum, I believe, talked about the record of the decade of the eighties, if you will, in relation to occupational health and safety, which I think all too often people who are environmentalists forget that is part of the environment, and I don't think it is a record that we should be proud of. I would like to emphasize that I think we have some important legislation on the books, some proposed legislation on the books that I hope we will get your support for that would really lead to a healthier and safer workplace, which I think is just a basic human rights question.

My last question for you, or maybe it isn't even a question. I am just thinking out loud, and I think you already have written some of the articles that deal with this, and I would just like to tap into a little bit of your thinking. The school-to-work readiness transition that you talk about and the over 50 percent of the population, women and men that don't go on to higher ed, my only concern about that is the extent to which it might evolve into the worst kind of tracking. Have you given any thought to that in some of your writings, some of your speaking, some of your thinking about it?

Mr. REICH. I certainly have given thought to that danger, Senator. If we create school-to-work programs, whether they be apprentice-like programs or other career possibilities for people who are not going on to 4-year colleges and universities, and we create enough alternative paths, it seems to me that we avoid the stigmatization to which you are referring.

I am very familiar, for example, in Boston, we have a number of programs—Pro Tech, Mr. Chairman, you may be aware of that—in which you take young people out of high school, and the business community is very actively involved. There are jobs waiting for those people. They get paid for part-time work while they are undertaking some training in a junior college or a vocational or a technical institution. Given the fact that there are jobs waiting for them, there is certainly no stigma, because those companies and those institutions that are creating the jobs are, in fact, supporting partly the job creation and the training that goes along with it.



That is a kind of a program. I am not saying that is the necessary only model, but that is the kind of a program that I think we need to encourage around the country.

Senator WELLSTONE. Mr. Chairman, I don't think I want to take any more time. I have a set of questions I would also like to submit to Professor Reich dealing with community service and the ways in which you might be thinking about that, as Secretary of Labor.

I just would conclude my questioning not with a question, but another comment, which is that one of the books that Professor Reich wrote was "The Power of Public Ideas." I really believe that Robert Reich epitomizes or personifies the power of public ideas. I'm looking forward to voting for his confirmation.

Thank you.

[The prepared statement of Senator Wellstone follows:]

#### PREPARED STATEMENT OF SENATOR WELLSTONE

Mr. Chairman, I am delighted to join my colleagues on the committee in welcoming Robert Reich as President-elect Clinton's nominee for Secretary of Labor. His long and distinguished career, in academy and in government, has uniquely prepared him for this office. His has been a clear and sure voice for public investment in human capital—in real people, with real jobs trying to support real families. His longstanding and fierce commitment to people, and to the American work force, make him exactly the right person for this critically important cabinet post.

I have read and admired his work—much of it seminal—for many years. As a former educator, I am acutely aware of how rare it is that voices from behind the walls of the academy are taken seriously by policymakers. Robert Reich is a notable exception to that rule. Especially in his more recent landmark works, "The Power of Public Ideas" and "The Work of Nations," he has made a profound and lasting contribution to our thinking on the need to address our longstanding problems of rising inequality, falling real wages, disinvestment in our people and our infrastructure, and a weakening of our international competitiveness.

Mr. Reich has argued that we must revamp our spending priorities in the face of this punishing recession and in the wake of massive and historic changes in the world and in our post cold war defense posture. He has been a strong supporter of Federal programs to provide economic conversion assistance to communities and families hard-hit by defense cutbacks—a major challenge in the next 5 years.

Americans recognize that a nation cannot be strong unless it is prosperous. And that means empowering its people to succeed economically: The economy, education, health care, job training, jobs—these are the central concerns of people's lives. They have been thrust onto the American political agenda by the people themselves. Americans are insisting on quality affordable health care, on education and job training, on investment in job creation, and on security in retirement from efforts to weaken or suspend their pension and health plans.

For too long, Americans have waited for effective Presidential leadership on the economy. President Clinton, with the help of leaders like Robert Reich, will provide urgent economic stimulus to

help restore economic growth and rebuild America's twenty-first century work force. I look forward to our discussion today, and to working with Secretary Reich on these and other issues central to the lives of working Americans.

The CHAIRMAN. Very good.

Senator Wofford. Harris, we are glad to have you here.

Senator WOFFORD. Thank you, Mr. Chairman.

I do consider myself lucky, except to be sitting after my eloquent professor populist from Minnesota.

Thank you, Mr. Chairman and colleagues, for your warm welcome. When I consider the creative work, and the legislation that has come out of this committee in years past, I feel proud to be on this committee. I suppose I should say I feel humble to be on this committee, but, as Golda Meier said, I am not great enough to be humble.

I am very happy to be on this committee. There is supposed to be no place like home, and for me, knowing what you have done in the past and what we may do in the future, this committee feels like that. In any case, it is the place I most wanted to be, except perhaps in Bob Reich's Harvard classroom.

Though I am very delighted that the President-elect has drawn this man of ideas into the field of action again, and I feel lucky to be here to try to help him as he turns his words, his good words into flesh. I can not think of a Secretary of Labor who would be better than the choice by President-elect Clinton.

I want to inform this committee that the people of Pennsylvania claim Bob Reich as one of their own, because he was born in Scranton. He is a native Scrantonian, and our Commonwealth claims him.

I also have one other thing in common with him, that I was viewed as a surprise appointment when Governor Casey enlisted me to be the Pennsylvania Secretary of Labor and Industry. And, Bob, those four and a half years were the most interesting and rewarding years of my life to that date. I think the next 4 years for you on this far larger stage are going to be the same.

I also got some first-hand insights, a head of steam on things that ought to be changed in the U.S. Department of Labor, having been on the receiving end of that U.S. Department of Labor. I will ask a few of those questions today.

One has to do with labor-management cooperation. When you were in Pennsylvania last at our governor's seminar, you talked some then of emphasizing it. We told you some of the things Pennsylvania was doing to earn a reputation as a State pioneering in labor-management cooperation and participation, in the public as well as the private sector. I think I told you about how much help we had been getting from the Federal Department of Labor's Bureau of Labor Management Relations and Cooperative Programs.

But then in the years after that, more and more, that helped disappeared, as that bureau seem to have been abandoned by the leadership of the department. I would be very interested in whether you have done any thinking yet on whether to revitalize that bureau and how you think the department and you can give very high priority and leadership to earning a reputation, making a reality

of labor-management cooperation in private and public sectors in this country.

Mr. REICH. First of all, Senator, let me just reiterate how absolutely pleased I am to be working with you, to have the opportunity to work with you. You have been on the front lines, you have been Secretary of Labor at the State level, you know what the receiving end is like, and I am going to be sitting at your feet learning everything I possibly can about that Federal-State relationship, because that is where the action is.

People down there at the receiving end, they have got to know that the Federal Government and the States are working together. The States are doing some extraordinary things. You did some extraordinary things.

The Bureau of Labor Management Relations and Cooperative Programs, I have looked into it a little bit. It seemed to me that it was doing a very good job and a very useful job.

The question in my mind—and again, I am reluctant to commit before I am actually there on site and I can see what is needed to be done—the question in my mind is whether you want a separate bureau that looks at these very, very vitally important issues, or whether you want everybody across the entire agency—in pensions, in employment and training, in occupational safety and health, in fair labor standards—all of the entire staff to be sensitized and working around and with and through the questions and issues of labor-management relations and cooperation, and I am going to try to see the best organizational form for accomplishing that.

Senator WOFFORD. Certainly, safety and pensions are areas of great concern in labor-management cooperation. That leads me to my second question. Not only is there increasing insecurity about pensions and the funding thereof and waivers for the funding and the like, but the health care benefits beyond pensions are now in tremendous jeopardy. Because of a recent case and because of the accounting standards changed by the Financial Accounting Standards Board which require that companies show on their financial statements the future costs of health and other nonpension benefits, some companies are making a one-time charge and some are amortizing it. Others are using this as the opportunity to terminate their health care benefit plans for retirees, and this is adding further reason for health care reform, for a comprehensive universal health insurance system.

I hope you are going to be in the front line of helping to shape that, but have you given any thought to what could be done, even in the interim before we enact that, to stop this process of taking health care benefits and rights away from people to whom they were promised?

Mr. REICH. Senator, I have given a little bit of thought to it. Much of it is in litigation now. There is a great deal of foment about contract, whether and to what extent companies actually did promise to maintain these health benefits.

I am concerned, as well, as you alluded to, about the Pilot Life decision, which suggests that ERISA, the Federal Pension Act, preempts all of the States' acts with regard to health benefits. That sale of preemption strikes me as simply too broad. Again, I am reluctant to commit myself too much at this point, because I want to



know more, but that is definitely an area that we need to explore carefully.

Senator WOFFORD. Well, I hope you put the cartoon up in your office that I saw recently of the personnel officer hiring somebody and saying, "Now with all of these health care benefits, you realize that no salary goes with this job." [Laughter.]

Last, a Frances Perkins' question: I think if Frances Perkins were here, she might say that one of the first things Franklin Roosevelt called her into his office to ask her to do was to organize what became the Civilian Conservation Corps. I believe in his first week in office, he said there are 500,000 unemployed young men on the streets, dropped out of school, I want those boys in the woods, and 10 days later she had a plan and a message went to Congress. By the end of his first month in office, in its first 30 days, Congress enacted a one and a half page law establishing the Civilian Conservation Corps. He set a quarter of a million boys in the woods by the end of summer as his goal, and by the end of July, 4 months later, 300,000 young men were in 1,300 camps, some of them run by then Col. George C. Marshall.

I know you are aware of things that have been done at the State and local level in Boston, Pennsylvania, and in Maryland, for youth service corps, little versions, and different varieties of CCC programs. Some of them bring the college-bound and the noncollege-bound together in a way that breaks those stigmas and produces real integration in the City Year program in Boston.

I think if Frances Perkins were here and looking at the State of youth, particularly in our cities in this country, but all youth, I would say, and looked at the \$1.5 billion or more than \$1 billion mandated youth programs under the Job Training Partnership Act and other programs, I think she would say isn't there a real idea here waiting to be turned into flesh, turned into action.

This is another area where I hope you will be in the front-line of helping to shape the President-elect's national service program, and will look to the bill that this committee played such a leading role, and the Chairman did and Senator Mikulski, in administering the National and Community Service Act of 1990. It has produced the base on which I think you could take a quantum leap in asking and giving the opportunity to all young people to engage in community service in effective ways.

Have you given new thought to this? I know when we last saw you in Pennsylvania, we told you how the economic development partnership there had recommended that more than half of the youth programs of the Job Training Partnership Act, a billion and some dollars, should be in youth corps form, and they have been very slow to the private industry councils in Pennsylvania and in this country have been relatively slow in moving in that direction. Do you have any thoughts of how you might give leadership in this area?

Mr. REICH. Senator, national service is an idea whose time, in my opinion, has come. I spent last week, most of the better part of a couple of days, with the City Year people, going through a program that is absolutely marvelous in all the ways you said—bringing young people together of different socioeconomic groups for a year of preparation, paying them along the way, giving them a

\$5,000 award at the end, and having an extraordinary effect on troubled youth and poor youth, and again, crossing socioeconomic barriers.

Senator WOFFORD. And college-bound youth.

Mr. REICH. That's right; college and noncollege.

So it seems to me that that model and other models—not exclusively that model; I know in Washington, DC there is a different variation, and I have observed variations in other cities—but that model of getting different youth together from different socioeconomic backgrounds and providing them with a goal and an avenue to get out of their current plight and get on the way toward a better education and better training is precisely the kind of thing we want to do.

We want to integrate that with apprenticeship-like programs. The next step is to ask when they finish that program, what next?

Senator WOFFORD. Our corporate leaders and labor leaders in Pennsylvania concluded that the same qualities you want in the work force of the future, the entering work force, of teamwork, initiative, responsibility, are qualities you learn in well-organized corps of this kind.

Thank you very much.

The CHAIRMAN. Senator Kassebaum.

Senator KASSEBAUM. Thank you, Mr. Chairman.

I have just two brief further questions. One is on job training, going back to that. Press reports have indicated that perhaps you are reconsidering how strong your support would be for a 1.5 percent payroll tax at this time that would be a mandate to pay for retraining workers. Could you verify that, or what are your thoughts at this time on mandating a payroll tax?

Mr. REICH. Senator, there is absolutely no backtracking on this. President-elect Clinton repeatedly stated through the campaign and still believes, and I believe also, that companies should dedicate at least 1.5 percent of their payrolls to training their workers. This is not a tremendous, onerous obligation. Most companies do this already. This is far less than other countries would expect. It is a goal, and I intend to do everything necessary to achieve the goal.

Senator KASSEBAUM. Second, before initiating any new job training programs, would you consider conducting a comprehensive survey of the programs already in place and try to evaluate those in the light of duplication of programs and administrative costs?

Mr. REICH. One of the goals I have, Senator, with regard to these training programs is to try to integrate them. As I said before, what I see—and again, this is a very preliminary view—but what I see is a vast array, 125 different programs targeted to specific eligibility criteria, specific benefits. It strikes me at first glance that there must be some way of integrating them and providing a comprehensive approach. But I am very much looking toward the guidance of this committee and other members in terms of how to do that.

Let me return, though, to the first part of your question—do you wait before you provide any new initiatives or suggest any new initiatives? Well, what worries me about waiting is that the problem of the dislocated worker and the problem of the school-to-work

transition is so large that I would hate to use simply a review as a delay for doing what has to be done. Both have to be done, and I intend to do both.

Senator KASSEBAUM. I was encouraged when we were visiting earlier before the hearing started about your knowing the Secretary-designate for the Department of Education, Governor Reilly. And of course, education and labor do have to work closely together. In the past there have been some turf problems, as there tend to be here in Washington, but I think the greater the coordination between departments, the better, and that will be useful.

My second questions regards the family and medical leave legislation. There is no doubt that that is going to pass and that it will be signed into law. I have raised some questions about imposing this type of mandate on the business community, even though I certainly believe that in the work force of the future, an employer needs to look at the flexibility necessary to meet family and medical problems and should provide that leave.

But I would raise the question, should employers at least be compensated for the fixed costs of carrying employee benefits while the employee is not working? If we believe this is important enough to mandate, then should we not be willing to also pay for that? And I know that tax credits have been suggested before, but unlike past proposals which suggested credits instead of mandating leave, I would wonder about extending credits to provide for the health plans and the pension plans for an employer who then would carry those during a time of leave.

Mr. REICH. Senator, all I can say is—and I want to reiterate this—that President-elect Clinton is fully supportive of the Family and Medical Leave Act and intends to sign it. You raise a broader set of questions having to do with using carrots and sticks with regard to the workplace of the future—

Senator KASSEBAUM. Yes. That's why I liked your comment regarding something else on carrots and sticks.

Mr. REICH. —and undoubtedly as we move to that high-performance workplace, the workplace that is exemplified by the best companies already in this country, the question in my mind is what combination, ultimately, of carrots and sticks and persuasion we want to use. I want to work with the business community, but the business community is going to have to collaborate as well. Labor is going to have to collaborate. We have got to all roll up our sleeves and do it together.

Senator KASSEBAUM. Well, I agree. I guess I am just asking if this is important enough that we mandate it from here, is it then not important enough to pay for.

Mr. REICH. I think it is time—

Senator KASSEBAUM. Who pays for it? Do we, or do the employers?

Mr. REICH. If you look around the country at the best-managed companies, Senator, they are already doing it; they are paying for it. If you look at other countries as well, those employers are paying for it. This is not in my view, my humble view, an unreasonable requirement.

Senator KASSEBAUM. You are right about that; the large companies are. It is the smaller and the middle-sized companies that I



worry about. And I think, frankly, if we are going to do this—we have excluded, of course, 50 employees or less, who many times are the very ones one needs to reach—I am simply saying if we are going to mandate it, let's also be willing to pay for the credits that could carry on down to employers who would have far fewer employees than that as well.

I will be suggesting that at a later time when we get into that on the floor.

And just a further addition, because it has been interesting to hear about Mrs. Perkins and the American economy. But you know today, I think what we are missing, too, is not only how the American economy has changed, but we are also very much a part of a global economy, and that is a factor that influences so much of what we do today in our desire to be competitive.

I certainly look forward to working with you, Mr. Reich. I think you will bring a great deal of challenging thoughts and provide some real stimulus to discussions which will be important for us in shaping a labor force for the next decade and into the next century.

Mr. REICH. Thank you, Senator, and if confirmed, I very much look forward to working with you as well.

Senator KASSEBAUM. I doubt there are any doubts about confirmation.

The CHAIRMAN. Thankfully.

Just to comment very briefly with regard to some of the questions that were asked of Mr. Reich, I think it is important to keep in mind the fact that every new entry into the job market today is likely to change their job eight times over the course of their career.

When you were a shipfitter at Quincy Shipyard 180 years ago, you were a shipfitter, your son was, and your grandson was—or rarely, your daughter or granddaughter—but that was the fact. Now we live in a world of rapid change.

It is also interesting to hear some of our friends ask how we as a nation are possibly going to be able to do all of these things for workers families that we are talking about. Our European competitors manage to do it. They have parental leave. They have longer vacations. They have greater benefit packages in terms of the range of social benefits. They have employer-employee committees. Many studies indicate they have fewer industrial accidents. They pay more in terms of average hourly manufacturing wages, and they are still outperforming us in a number of product markets. Clearly, something is happening over there.

And I think one of the things, as you have pointed out, which is not the only answer but is an important factor, is the investment these countries make in the continuing training of there workers. I welcomed your very clear response on that issue.

We asked Bill Brock, a Republican from Tennessee—former chairman of the Republican National Committee—we asked him, "Do you favor requiring businesses in this country to invest an amount equal to 1 percent of there payroll in workers training?"

"No, Senator," he said.

"Why not?"

"Because it ought to be double that," he said. And the great majority of the Republicans who served on the commission that wrote the "American's Choice" report agreed with him.

Hopefully, we will, in this new partnership with business and public, be able to try and find ways of looking at many of these issues, and seeing where we can make progress, because I think if we get locked so much into both the rhetoric and the positions of the past—and certainly, I'd include myself—then we really aren't going to do the kinds of things that President-elect Clinton wants to do.

Just a final, brief question and another comment. We haven't talked about minimum wage here today. One of the most important parts of our whole social compact has been the guarantee of the minimum wage, that any American who wanted to work 40 hours a week could get a job and earn enough to provide for his or her family, and live in some respect and dignity in this country.

Until recently, it hadn't really been a partisan issue. Dwight Eisenhower fought for an increase in the 1950's, he was able to get it, but he nonetheless supported it. President Nixon supported it. Harry Truman supported it. Democrats and Republicans supported it. The only time we couldn't get bipartisan support to increase the minimum wage was in the 1980's. We had to settle for what many thought was a completely inappropriate compromise, to get the minimum wage up to \$4.25 in 1990-91.

We heard during that time, during the debate on the floor of the Senate, how this was going to add to inflation and how it was going to add to unemployment. I have yet to see one statement, one study that would indicate that that very small increase up to \$4.25 has resulted in any job loss or been a factor in any inflation. But if we go for any further increase in the minimum wage, those who fought the last increase will no doubt oppose it again. At a time when we are seeing corporate CEO salaries in industry after industry going up 400 or 500 times, they will say, "We can't afford it. We just can't afford it."

This is a question of decency and fairness, and it has also become an issue which disproportionately affects women in our society. Close to 70 percent of those who are receiving the minimum wage are women, trying to provide for themselves and for their families, and many are living in poverty. And what is happening is that other taxpayers are basically subsidizing those companies and corporations that aren't paying the minimum wage, because those workers are eligible for food stamps and other government assistance.

I am not asking you whether the first piece of legislation the President is going to send to the Congress is going to be to increase the minimum wage, but I would ask you as a person who obviously has a strong commitment to social justice for your comments on this issue.

Mr. REICH. Let me just say, Senator, that to underscore your point, my colleagues, particularly Larry Katz, an assistant professor of economics at Harvard, have done a number of studies showing that that increase in the minimum wage up to \$4.25 in fact did not decrease employment; it had relatively no effect on employment opportunities.

The minimum wage has dropped in real terms, as you know. President-elect Clinton during the campaign talked repeatedly about the importance of a combination of increasing the minimum wage and increasing and extending the Earned Income Tax Credit. And what we need to do, and I think we are all in agreement on this—and again, this is both the jurisdiction of this committee and the Department of Labor, and it also extends beyond—what we need to do, it seems to me, is to make work pay. One of the great tragedies is that we have a growing number of people working full-time, as you said, working under the poverty line.

The CHAIRMAN. Well, I couldn't agree with you more on the need to do a combination of those two things—to increase the minimum wage and increase and extend the Earned Income Credit for those with larger families. The key, obviously, is some blending in terms of these two approaches.

Are there others? Senator Pell.

Senator PELL. I'd like to follow up on this question of codetermination, meaning the presence on boards of directors of labor. You have mentioned several times in the course of this hearing the importance of labor and management working together at the workplace. Why is it that your imagination would not bring up not just at the workplace, but at the board of directors as well? What is the inhibition that holds us back? Shouldn't we march down this road and make a positive effort or demarche on the part of the new administration?

Mr. REICH. Senator, I don't quite know what the inhibition is. As I consult with companies and look at particularly many of the technology companies, you see that your workers, even workers who are not very highly skilled, have bonuses, they have a great deal of input into the company, companies are listening to them. I don't know why there is as much inhibition in some companies as there is in bringing workers into the decisionmaking process, considering the fact that those front line workers have the information; they know about that production process better than anybody. They know where the markets are. They know about that technology. That is where your source of information is.

So I don't have an easy answer for you. Maybe you have a theory.

Senator PELL. I don't, but do you see us moving in that direction? Do you find yourself intellectually sympathetic to that approach?

Mr. REICH. I see the best-run companies in America working in a way that utilizes their employees and brings them into the process.

Senator Dodd was telling me about one of your companies, Allegheny-Ludlum. I think you referred, Senator, to the fact that it was a unionized company, but you didn't even know where management ended and the unionized workers began; they were working together. They understood that they weren't each other's enemy; the enemy was the competitors.

It is that kind of quality that we have to try to spread and bring to the rest of American industry.

Senator PELL. I hope we can pursue this over the coming years, and I intend to.



Also, we have a network of labor attaches around the world. Shouldn't they be instructed to see what methods of apprentice training and community colleges are in the countries to which they are accredited by you—or, by the State Department, but they are working for you—and make better use of these labor attaches?

Mr. REICH. That's an excellent idea, Senator.

Senator PELL. Good. Thank you.

The CHAIRMAN. Senator Metzenbaum.

Senator METZENBAUM. Mr. Reich, one of the smallest items on your agenda, but one that has truly upset me much—12 years ago, when Ronald Reagan took office, he came in and, in a preemptive strike, fired all the PATCO employees permanently and said they could never return to their jobs. If those employees had committed murder at that time, or some other heinous crime, they would be free, they would be walking the streets of America, and they would be able to hold any job they wanted. Those employees have never been permitted to go back to their jobs. I don't know if many of them are still qualified and still able to do the job.

Can we have your assurance that you will at least take a look at this problem and see whether there isn't some element of fairness to permitting the PATCO employees to go back to work for the Federal Aviation Administration?

Mr. REICH. Senator, I'd like to review that.

Senator METZENBAUM. I would appreciate hearing from you. It is a minor item, not a major one, unless you happen to be one of the PATCO employees who were fired.

Last month, NBC in a major piece of work reported that the Wall-Mart chain, which has had a long-running, "Made in the U.S.A." marketing campaign, actually purchases much of its inventory from foreign suppliers. According to NBC, American workers have lost their jobs because Wall-Mart has contracted to use cheap overseas labor. In Bangladesh, for example, children as young as 9 or 10, according to that report, worked for less than 10 cents an hour for as long as 20 hours a day to make clothing for Wall-Mart.

I am certain that Wall-Mart is not the only U.S. employer benefiting from foreign child labor. We know, for example, that many U.S. firms are exploiting under-age workers in Mexico's Maquiladora zone.

What will you be doing as Secretary of Labor to address this problem? Should we require manufacturers or retailers to certify that their products were not made with child labor? What other steps might be taken to protect those children who are being forced to work in this manner in other countries?

Mr. REICH. Senator, I will be working with the United States Trade Representative on this and other issues related to appropriate working conditions abroad and the extent to which the United States must set some appropriate limits to foreign working conditions.

Senator METZENBAUM. Do you think there might be some value in requiring retailers to certify that their products are not made with child labor in foreign countries?

Mr. REICH. Well, I certainly want to look into it, Senator. Again, I don't feel qualified at this point to commit one way or another, but I want to definitely look into that issue.

Senator METZENBAUM. One of the committee's top priorities in the 103rd Congress will be OSHA reform. Although we have made some progress in reducing injury rates since OSHA was enacted 23 years ago, the rates remain appallingly high, with 10,000 workers dying each year just from safety-related accidents and tens of thousands more dying of occupational illnesses.

The legislation which Senator Kennedy and I introduced last year would streamline OSHA's standard-setting process and improve the agency's enforcement authority. The bill would also increase the role of employers and workers by requiring safety and health programs and joint employer-employee safety and health committees.

Do you have any present views about the State of worker safety and health in this country, and would you be willing to work with us to reform and revamp the act at the same time, bringing about a greater sense of efficiency and effectiveness in the Department with respect to the law as it presently is?

Mr. REICH. Undoubtedly, Senator, I am eager to work with this committee in improving the performance of OSHA. You mentioned the number of worker accidents and injuries. It is cruel to put it in dollar and cents terms, but from what I have been able to gather, we are talking about more than \$80 billion a year in deaths and injuries, and that doesn't even count the potential diseases, the toxic effects.

There has to be some way to deal with this issue efficiently, and I think that the bill that you and the chairman have been working on is certainly a step in the right direction, and I look forward to working with you on it.

Senator METZENBAUM. Good. Since 1980, our pension system has begun to stagnate. The percentage of employers covered by pension plans has remained under 50 percent and is not increasing. In addition, employers are reducing their pension contributions and putting more of the burden on workers to save for their own retirement. The number of pension plans requiring employer contributions has increased 400 percent since 1984.

Given the strain on our Social Security system, frankly, workers need private retirement savings. Do you see the Department playing a major role with respect to encouraging companies to provide pension benefits to their workers?

Mr. REICH. Senator, as I said before, just to return to a major theme that I return to, the best companies in America, the most profitable, high-productivity, high-performance companies, are making sure that all their workers have adequate retirement savings. The trend that I have noted and I am concerned about is exactly the trend you have mentioned. Many employers are now moving to 401(k) plans, tax benefits for those workers who can afford to put away their own savings, but not necessarily benefits for workers who cannot afford it. That may exacerbate the same gap in wages and benefits we have seen in many other respects.

So that I am very, very eager to work with you and other members to try to come up with some solutions for that problem.

Senator METZENBAUM. On that score, during the Reagan-Bush years, the Labor Department was a nothing with respect to setting pension policy, and the Treasury Department made all of the rules

and all of the decisions. As you know, you will become head of the PBGC. Do you see yourself taking a leading role in setting national pension policy as the Secretary of Labor?

Mr. REICH. Well, certainly I will be working very, very closely with, if confirmed, Secretary-designate Bentsen on these issues. One of the first things I want to do is get the facts about the Pension Benefit Guaranty Corporation. I have heard a lot of different reports about the extent to which there is a deficit there and the extent to which that deficit is going to grow if pension plans are underfunded. We need to get the facts before we make any decisions, and I want to make sure right away that we get the appropriate facts.

Senator METZENBAUM. Over the past several years, the inspector general for the Department of Labor has been extremely critical of the Department's weak enforcement program. Frankly, I have been a strong supporter of the inspector general and his efforts to draw attention to the Department's flaws. The Department generally has been reluctant to work with its own inspector general or to heed his admonitions.

My closing comment is that I would be hopeful if you would support a strong role for the Department's inspector general, and I would hope that you would see fit to work with him or her as the case may be, rather than just fighting off any effort to cooperate or any effort to modify the Department's programs or methods of conducting itself. I think the inspector general of the Department of Labor has been doing a good job but has been frustrated.

Mr. REICH. I expect and I certainly hope for a good working relationship.

Senator METZENBAUM. And in conclusion, we hope for a good working relationship with you, and I am sure that it will be. We look forward to your being confirmed and being on the job. I think the American worker will benefit from it.

Mr. REICH. Thank you, Senator.

The CHAIRMAN. Senator Dodd.

Senator DODD. Just very briefly, Mr. Chairman—and I am pleased that my colleague the ranking minority member, Senator Kassebaum, is still here, because I wanted to respond just briefly on the family and medical leave question, which is a question we have debated at some length.

Just to State very briefly, I for one would not have bothered introducing a bill 7 years ago, reintroducing a bill over the last several Congresses, or even talking about a bill at this time, if in fact what the Senator from Kansas has suggested were occurring. According to the most recent data, only 37 percent of female employees have maternity leave with firms that employ 100 or more people. In late 1991, a Bureau of Labor Standards study showed that in firms with fewer than 100 workers, only 14 percent of women have maternity leave; only 25 percent of employers provide adoption leave, and less than 4 or 5 percent cover paternity leave, and only 36 percent of Fortune 500 companies allow sick leave for children.

So the fact of the matter is that despite all of the publicity and attention to this issue over the last 7 years, there has been little change. You might have thought that the business community, if



it were really interested in trying to do something about this issue, would have worked to improve its record.

Last, the SBA completed a study of cost to businesses 2 years ago—and I will just quote the conclusion of the study—the SBA said, “The net cost to employers of placing workers on unpaid leave is always substantially smaller than the cost of terminating the employee. Therefore, while there will be costs to firms mandating leave by the Federal Government, these costs will be relatively small as compared to the cost of terminating the worker who desires the leave.”

Again, the Congressional Budget Office estimated that if you exclude whatever benefits accrue to the company by not having to re-hire someone, it is two cents per covered worker per day. In fact, AT&T claimed that they saved \$15 million on an annual basis as a result of their leave policy, and Aetna estimates a \$2 million savings through its family leave policy.

So the assumption that there is only a cost associated with maintaining health care plans is just not borne out by any data, including studies done by the Bush administration, as a comparative cost of firing someone and hiring someone new, or of even hiring a temporary employee to fill the job.

I apologize for taking the time during your confirmation hearing, but I wanted the record to reflect that if I could.

And last, just to commend the President-elect on your choice, Bob, for this job. We've got some exciting times ahead.

I would just end on this note, which I regret I did not bring up earlier, although it has been referred by other colleagues—and that is the very legitimate notion of paperwork reduction. I think it is important that we on this side of the aisle take note of this concern, and to the extent possible work to reduce paperwork and the cost of complying with various Federal regulations.

I have certainly asked people in my community when they have raised that issue to give me examples of where they feel there is either redundancy in the system or unnecessary information being sought. I would be more than happy to transmit that information to appropriate authorities in your Department to try to reduce these unnecessary requirements. I do think it is an important question, and people raise it with me all the time. And it serves everyone's interests to see that those costs are kept down.

Again, congratulations on your nomination. I look forward to supporting you.

Mr. REICH. Thank you.

Senator DODD. Thank you, Mr. Chairman.

The CHAIRMAN. Senator Simon.

Senator SIMON. Just three things, very quickly.

First, two of my colleagues indicated you have to be either an investment hawk or a deficit hawk. I am both, and I hope you are both.

Senator DODD. You are a condor.

Senator SIMON. The reality is you aren't going to get the kind of investment in this country that we ought to get unless we deal with the deficit. And on the other hand, unless we put more of our dollars into the investment side, we are not going to deal with the deficit the way we should. We have to deal with both of these

things. You are nodding but that doesn't show up in the record. Do you agree or disagree with that statement?

Mr. REICH. Senator, I fully agree with that proposition. But more importantly—far more importantly—the new President-elect agrees with that proposition.

Senator SIMON. Second, you used the term "quality" jobs several times and "better" jobs, particularly in your opening statement. The reality is that we have seen a fairly sharp decline in manufacturing jobs. Service sector jobs pay about 64 percent as much as manufacturing jobs. This may be getting away from your base in the Department of Labor, but obviously it has a great deal to do with this. How do we encourage the development of the manufacturing sector in our economy?

Mr. REICH. Senator, the strategy for improving American manufacturing I think has to be part of a package of efforts through research and development, technology extension. President-elect Clinton has developed a whole series of proposals with regard to small business and technology extension.

But let me say something else. The distinction between manufacturing and services is beginning to break down as more and more manufacturing becomes oriented toward engineering and marketing, and as more and more services have within them pieces of production. The way that we have in the past classified these two types of work may be less and less relevant to the jobs of the future.

My concern is not so much that we are losing the old factory jobs—that is indeed a concern—but that even where we have the old factory jobs, they are paying less and less, or they are being automated, or we are seeing higher and higher productivity in manufacturing, but with fewer and fewer people. Well, that's not a great gain.

Senator SIMON. Talking about classifying—and your point is absolutely valid—one of the areas where I think there should be a review is how we classify unemployment. To say that someone who is working one hour a week is not unemployed is ridiculous. To just eliminate the discouraged worker from the unemployment category does not make sense. And the danger politically, of course, is if you make realistic assumptions on unemployment, then for a new administration, the figures suddenly become higher. But at some point, some administration has to get hold of this thing so we can give people realistic evaluations of unemployment in this Nation. I don't know if you have any feelings on that.

Mr. REICH. Well, I agree entirely with you, Senator, on that. One of the great assets of the Department of Labor is the Bureau of Labor Statistics. It has continued to be one of the government's chief sources of information, Congress' chief sources of information, about what is actually happening out there. And my intent is to work very, very closely with the professional staff and see if the measures we have are appropriate.

Senator SIMON. Let me be more specific. Do you think that the measure we now make of unemployment is a realistic measure?

Mr. REICH. No, because it does not include workers who are too discouraged to look for work and also workers who are working part-time who would much rather be working full-time—precisely

the points that you were making. And as I tried to suggest, we need a more comprehensive measure of where the labor force actually is, not only with regard to working, but also with regard to the quality of those jobs.

Senator SIMON. One final question. You mentioned you had a friend in grade school who has been out of work for a year. As I was reading my holiday cards this year, one of the things that hit me was the number of people who said, "Elaine has been out of work for a year," or "Jim has been out of work for 3 months." You are speaking not only to the members of this committee, but I see a C-SPAN camera here; there are going to be people out there listening to you who are out of work. Just in kind of a generic way, what kind of advice would you give to someone who has been out of work more than 5 weeks? What should he or she do?

Mr. REICH. Well, there are several steps—and again, this is very presumptuous of me to do this because I have not directly experienced the pain that many of these people are experiencing, nor have I been in the Department of Labor to actually see what the options really are. But since you asked the question, and because there is an awful lot of pain out there, it seems to me that one of the great enemies of obtaining a future job is resignation, just the sense of hopelessness.

The economy is just beginning to turn around, based upon projections that I think are realistic. If we get to the point where we really are in a recovery, there are going to be a lot of jobs. The problem may not be so much the jobs, but the quality of the jobs that come back, as I emphasized before.

There are programs out there. The Federal Government is spending almost \$16 billion a year on training programs. Community colleges are a great resource in our country. If you have some spare time, and if you cannot get a job right way, those community colleges are just a gold mine of opportunities for getting training and getting a certification at the end of that training.

So I would urge people not to give up, to keep on trying, and to get as much training and education in the meantime as they possibly can.

The CHAIRMAN. Thank you. Again, I think the President has made an excellent choice.

Thank you, Mr. Chairman.

Senator Dodd [presiding]. This is a unique opportunity for me, Bob, now that I am acting chairman here—if there is anything you'd like to do. [Laughter.]

Senator Wofford.

Senator WOFFORD. Mr. Acting Chairman, I have learned that the last shall not be first, but I do believe that the first should be, as they have been here, last. I do not want to do anything to keep our Secretary-to-be from being at the table where these issues are being argued—in Little Rock, or wherever you are going for that session. I would like to help you get there by withholding my other questions now.

Senator DODD. Senator Kassebaum, any further questions?

Senator KASSEBAUM. Nothing further, Mr. Chairman.

Senator DODD. Senator Simon.

Senator SIMON. No questions.



Senator DODD. Again, Bob, we thank you immensely for your testimony. There will be some questions submitted to you, and we would urge you to get back as quickly as you could to us on those. We look forward to moving your nomination forward expeditiously. [Additional material follows:]

## PREPARED STATEMENT OF MR. REICH

I thank Senator Kerry for his warm introduction. We have been friends and neighbors for many years. I look forward to working with him as he continues his commitment to work force issues.

My congratulations to Senator Nancy Kassebaum, who has just become ranking minority member of this committee.

I can not proceed without acknowledging another friend. Senator Edward Kennedy has based his distinguished career in public service on fighting for health care, worker training and job creation. As chairman of this committee, he brings not only an intellectual commitment to the working men and women of our Nation, but an emotional one as well.

I want to thank each of you for all the courtesies extended to me, not the least of which is the speed with which you have scheduled this hearing. If confirmed, it will be a privilege to work with all of you.

Also, I want to introduce my wife, Clare. Our two young boys, Adam and Sam, are back in Cambridge, at school.

Mr. Chairman and members of the committee, I am deeply honored to have been asked by President-elect Clinton to serve as America's 22nd Secretary of Labor. I have known the President-elect for many years, and of his deep commitment to the issues on which this committee has taken the lead over many years—the education, training, working conditions, and living standards of our Nation's work force.

These issues lie at the heart of our economy and our society. In the emerging global system of production and distribution, our work force in many ways is the Nation's economy. How we address these issues in the years ahead will help determine the standard of living of Americans.

I know that this committee is concerned about unemployment levels which are distressingly high for this stage of a so-called recovery; the official unemployment figures mark an even larger number of people too discouraged to look for work, or who are working part-time who'd rather work full time. Indirectly or directly, the unemployment has touched everyone. My best friend since grade school has been looking for a job for more than a year. If confirmed, I will work as a member of President-elect Clinton's National Economic Council to help design macroeconomic policies which put Americans back to work.

But behind the business cycle—and beyond the capacities of fiscal and monetary policy—lies another, deeper longer-term problem, having to do with the quality of American jobs. For even as Americans go back to work, many are finding that their wages, benefits, and working conditions are worse than before. This is particularly true for the majority of Americans—front-line workers without university degrees. And if confirmed as Secretary of Labor, I am determined to help reverse this trend.

The American economy is putting an ever greater premium on education and skills. In industry after industry, the "knowledge" content of goods and services is rising. The gap in wages between university graduates and those without degrees is widening. I graduated from a first-rate college, was fortunate enough, along with

the President-elect, to win a scholarship to a world-class university, and then to attend one of the Nation's leading law schools. I was lucky. But unskilled, untrained Americans are losing out. If not competing with low wage workers abroad, they increasingly are competing with new technologies at home which are replacing routine work of all kinds.

Mr. Chairman and members of the committee, if you confirm me I will ensure that the Department of Labor is the Department of the American Workforce—dedicated to nurturing our most important national asset. The overarching goal is not only more jobs for our citizens, but higher-wage jobs, and business organizations which foster such jobs by continuously upgrading their workforces and providing safe and rewarding work for all their employees.

The specific goals which I will set for the Department reflect these broad objectives.

The first is to provide a path to good jobs for the 75 percent of our young people who do not complete 4 years of college, and whose real wages are lower than they would have been had these young people entered the work force years ago, and career prospects bleaker.

The second goal is to help workers who have permanently lost their jobs get new ones which pay at least as well. This challenge, too, is growing, as the American economy changes fundamentally through the development of labor-saving technologies, the permanent downsizing of certain industries and large corporations, the contraction of national-defense industries, and the ever-greater scope of global trade and investment. Unlike previous recessions, a significant portion of the jobs lost in this one will not return when the economy rebounds.

Publicly supported job training alone will not create good jobs. Thus, the third goal is to foster business organizations which create ladders toward high-wage jobs even for those without university degrees. Otherwise, the wage and benefit gap will continue to widen.

My fourth goal is to foster the creation of good jobs which are good not only because they pay well, but because they also provide a good work environment. High-performance work organizations—companies in the vanguard of American industry—are family friendly to all their employees—responsive to the growing needs of single parents and of two-income families by offering parental leave, child care, elder care. They do not discriminate on the basis of race, gender, or disability. They provide all their employees with safe and healthy workplaces. And they ensure that all their employees have adequate incomes when they retire.

America's leading businesses need no coaxing: They understand the importance of their human resources—including their front-line workers—and the market is rewarding them for their long-term view. But I am concerned that other businesses are taking a shorter-term view, and the Nation's capital markets do not necessarily encourage farsightedness. If the American work force as a whole is to enjoy a higher standard of living in the future, and if America is to be competitive in the world economy, government must stand ready to encourage the private sector as a whole to treat their work force as their most precious asset.



How to encourage? I am not yet sure of the best combination of carrots, sticks, and educational outreach. I am aware of the inefficiencies and burdens upon all parties of a strategy based solely on regulations, inspections, and penalties. Business must be ready to collaborate, to become a true partner. Labor must join in the partnership. Human resource professionals and not-for-profit institutions must be involved as well. Sometimes the most efficient path will be to establish worker-management committees within companies; sometimes, for government to provide compliance education and assistance.

If confirmed, I will work closely with other departments of the Federal Government to promote higher-skill, higher-wage work for all Americans. I already have met with Secretary-designees Riley, Brown, Cisneros, and Aspin about these issues, and our collaboration will be ongoing. The Secretary of Labor sits on the President-elect's National Economic Council, and I can assure you that this agenda will be a major focus of attention there.

I also look forward to working closely with the Congress—the distinguished members of this committee, and your colleagues in the Senate, as well as with the Members of the House of Representatives. You all bring many years of experience and commitment to these issues.

Many States and cities have made enormous progress developing their workforces, and we have much to learn from their successes as well as their failures. I also hope to work closely with them.

Mr. Chairman, members of the committee, both of my parents worked. They owned a small retail business, two small shops which demanded 6 days a week from each of them. And my father spent a good part of his Sundays going over the accounts and the inventories. It was not an easy way to earn a living. They were both the workers and the managers of their small business, and at the dinner table I witnessed labor and management collaboration at its best (and on a few occasions, its worst). I'm sensitive to the unique concerns as well as the special opportunities of small businesses, and to their importance in the economy. Dad often complained about government and paperwork, but when one of his two shops was washed away in a flood, he got the help he needed from the government to start up again.

If I am confirmed as Secretary of Labor I will dedicate myself to the well-being of all Americans who work, who want to work, who must work. It will be truly the Department of American Workforce, a center of America's strategy for economic growth.

Thank you.

## STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

PART I: ALL THE INFORMATION IN THIS PART WILL BE MADE PUBLIC

Name: SEYMOUR (LAST) HOOPER (FIRST) DUNN (MIDDLE)  
 Position to which nominated: SECRETARY OF LABOR Date of nomination: \_\_\_\_\_  
 Date of birth: 29 (DAY) 5 (MONTH) 46 (YEAR) Place of birth: SCRAMBY, PA  
 Marital status: MARRIED Full name of spouse: CLARE DALTON  
 Name and ages of children: ADAM DALTON REIGL (11)  
SAMUEL DALTON REIGL (3)

Education:	Institution	Dates attended	Degrees received	Dates of degrees
	DARTMOUTH COLLEGE	1964-1966	B.A.	1968
	OXFORD UNIVERSITY	1968-1970	B.A. (M.A.)	1970
	YALE LAW SCHOOL	1970-1973	J.D.	1973

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

BRADY SCHOLARSHIP 1968-1970  
LOUIS BRANNON AWARD, 1984  
NATIONAL SCHOOL OF PUBLIC ADMINISTRATION

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations for the last five years and any other prior memberships or offices you consider relevant

Organization	Office held (if any)	Dates
DARTMOUTH COLLEGE	TRUSTEE	1988-1993
ECONOMIC POLICY INSTITUTE	DIRECTOR	1988-1993
THE AMERICAN PROSPECT	CHAIR, EDITORIAL BOARD	1990-1993
BUSINESS ENTERPRISE TRUST	DIRECTOR	1989-1993
THE NEW REPUBLIC	CONTRIBUTING EDITOR	1981-1993
WORLD POLICY JOURNAL	MEMBER, EDITORIAL BOARD	1983-1993

Employment record: List below all positions held since college, including the title or description of job, name of employer, location of work, and dates of inclusive employment.

-LAW CLERK, THE HON. FRANK M. COFFIN, CHIEF JUDGE OF THE 1st COURT OF THE UNITED STATES COURT OF APPEALS, 1973-1974  
PORTLAND, ME  
- ASSISTANT TO THE SOLICITOR GENERAL OF THE U.S., 1974-1976  
- ASSISTANT DIRECTOR, BUREAU OF CONSUMER PROTECTION, FEDERAL TRADE COMMISSION, 1977-1981, WASHINGTON, D.C.  
- DIRECTOR, OFFICE OF POLICY, PLANNING, + EVALUATION, FEDERAL TRADE COMMISSION, 1977-1981, WASHINGTON, D.C.  
- LECTURER ON PUBLIC POLICY, JOHN F. KENNEDY SCHOOL OF GOVERNMENT, 1981-1993, CAMBRIDGE, MA.

Government  
experience:

List any advisory, consultative, honorary or other part-time service or positions with Federal, State, or local governments other than those listed above.

CHAIR, OFFICE OF TECHNOLOGY ASSESSMENT TASK FORCE ON THE  
BIO TECHNOLOGY INDUSTRY 1989-1991  
CONSULTANT, CITY OF NEW HAVEN, ECONOMIC DEVELOPMENT 1987  
- MEMBER, MASSACHUSETTS COMMISSION ON MATURE INDUSTRIES, 1985-1987

Published  
writings:

List the titles, publishers and dates of books, articles, reports or other published materials you have written.

SEE ATTACHMENT A

Political  
affiliations

## and activities:

List all memberships and offices held in or financial contributions and services rendered to all political parties or election committees during the last five years.

REGISTERED DEMOCRAT SINCE 1968

- \$1000 CLINTON FOR PRESIDENT COMMITTEE, NOVEMBER 1991

- \$1000 DUKAKIS FOR PRESIDENT CAMPAIGN, JANUARY 1988

Future employment  
relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

YES

2. State whether you have any plans after completing government service to resume employment, affiliation or practice with your previous employer, business firm, association or organization.

I WILL TAKE AN UNPAID LEAVE OF ABSCENCE FROM HARVARD UNIVERSITY WITH  
THE PRESUMPTION OF REJOINING AT THE END OF THE LEAVE, SHOULD I WISH TO,  
WITHIN TWO YEARS

3. Has a commitment been made to you for employment after you leave Federal service?

HARVARD UNIVERSITY WILL REAPPOINT ME IF I WISH TO RETAIN THE FACULTY

WITHIN TWO YEARS OF TAKING LEAVE, AFTER THAT POINT THERE IS NO SUCH  
AUTOMATIC PRESUMPTION

4. Do you intend to serve the full term for which you have been appointed or until the next Presidential election, whichever is applicable?

YES

Potential conflicts  
of interest:

1. Describe any financial arrangements, deferred compensation agreements or other continuing financial, business or professional dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

NO CONTINUING BUSINESS, FINANCIAL, OR PROFESSIONAL DEALINGS WITH

ANYONE WHO MAY BE AFFECTED BY POLICIES WHICH I WILL INFLUENCE



- 2 List any investments, obligations, liabilities, or other financial relationships which constitute potential conflicts of interest with the position to which you have been nominated.

NO INVOLVEMENTS, OBLIGATIONS, LIABILITIES, OR OTHER FINANCIAL  
RELATIONSHIPS WHICH CONSTITUTE POTENTIAL CONFLICTS OF INTEREST

- 3 Describe any business relationship, dealing or financial transaction which you have had during the last five years whether for yourself, on behalf of a client, or acting as an agent that constitutes a potential conflict of interest with the position to which you have been nominated

NO BUSINESS RELATIONSHIPS, DEALING, OR FINANCIAL TRANSACTION  
DURING THE PAST 5 YEARS CONSTITUTING A POTENTIAL CONFLICT  
OF INTEREST

- 4 List any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any Federal legislation or of affecting the administration and execution of Federal law or policy

NO LOBBYING ACTIVITY DURING THE PAST 10 YEARS

- 5 Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

IF I DISCOVER ANY POTENTIAL CONFLICT OF INTEREST, I WILL  
REMOVE MYSELF FROM ALL DECISIONS PERTAINING THERE TO

Attachment A  
 P. H. K. R. I. C. H.  
 Robert B. K. I. C. H.

#### Books

- The Work of Nations. Preparing Ourselves for 21st Century Capitalism* (Alfred Knopf, 1991)
- Public Management in a Democratic Society: Cases and Commentary* (Prentice-Hall, 1990)
- The Resurgent Liberal (And Other Unfashionable Prophecies)* (Times Books-Random House, 1989; paper, Vintage 1990).
- The Power of Public Ideas* editor and co-author (Ballinger, 1988; paper, Harvard University Press, 1990)
- Tales of a New America* (Times Books-Random House 1987; paper, Vintage, 1988; Japanese edition, 1988)
- New Deals: The Chrysler Revival and the American System* co-authored with John D. Donahue (Times Books-Random house, 1985; paper, Penguin, 1986)
- The New American Frontier* (Times Books-Random House 1983; paper, Penguin, 1984; Japanese edition, 1985 Portuguese edition, 1985)
- Minding America's Business*, co-authored with Ira C. Magaziner (Harcourt-Brace, 1982; paper, Vintage, 1983 Japanese edition, 1985)

#### Articles

- "What Is a Nation?" *Political Science Quarterly*, Summer 1991;
- "Multinational Corporations and the Myth of National Origin," *Harvard International Review* (Summer 1991)
- "High and Dry," *Across the Board* (Conference Board), June, 1991;
- "Who Is Them?" *Harvard Business Review* (March-April, 1991);
- "Does Corporate Nationality Matter?" *Issues in Science and Technology* (Winter, 1991);

- "The Real Economy," *The Atlantic* (February 1991);
- "Blackboard Jingle," *The American Prospect* (Fall, 1990);
- "Trade: With Whom? For What?" *Journal of Public Policy and Management*, (vol. 9, No. 3, 1990).
- "An Outward-Looking Economic Nationalism," *The American Prospect* vol.1 (Jan., 1990);
- "America's Trade Strategy," in Lawrence and Schultz, eds., *American Trade Strategy: Options for the 1990s* (Brookings, 1990);
- "Who Is Us?" *Harvard Business Review* (Jan-Feb, 1990);
- "The Quiet Path to Technological Preeminence," *Scientific American* (October, 1989);
- "The Economics of Illusion and the Illusion of Economics," *Foreign Affairs* (Spring 1988);
- "Education and the Next Economy," National Education Association (Spring, 1988)
- "Corporation and Nation," *Atlantic Monthly* (May, 1988);
- "The Rural Crisis and What To Do About It," *Economic Development Quarterly* (February 1988).
- "The Team as Hero," *Harvard Business Review* (May, 1987);
- "The Rise of Techno-Nationalism," *The Atlantic* (May, 1987);
- "Of Markets and Myths," *Commentary* (February, 1987);
- "Joint Ventures with Japan Give Away Our Future," co-authored with Eric Maskin, *Harvard Business Review* March-April 1986);
- "Technology Trends and Their Application in U.S. Industry," *Economic Development Review* vol. 4 no. 1 (Winter 1986);

Book review, *The Republic of Choice*, Lawrence M. Friedman, *American Political Science Review*, Volume 84

- "The Unprepared Americas," *The Christian Science Monitor*, April 11, 1991.
- "Big Biz Cuts Class," *The Washington Post*, April 21, 1991
- "Up the Workers," *The New Republic*, May 13, 1991
- "Multinational Corporations and the Myth of National Origin," *Harvard International Review*, Summer 1991
- "High and Dry," *Across the Board*, June 1991.
- "Who Champions the Working Class?" *The New York Times*, May 26, 1991
- "Dumpsters," *The New Republic*, June 10, 1991.
- "How Business Can Help in Schools," *The New York Times*, Sunday, June 9, 1991.
- "US Could Lose Middle Class," *The Christian Science Monitor*, Tuesday, June 18, 1991
- "Reorganizing a Partnership to Help Local Schools," *The Boston Sunday Globe*, June 23, 1991
- "The Myth of 'Made in the U.S.A.'," *The Wall Street Journal*, July 5, 1991
- "What Is a Nation?" *Political Science Quarterly*, Summer 1991
- "Without Foundations," review of *Underwriting Democracy* by George Soros, *The New Republic*, October 14, 1991
- "The Stateless Manager," *Best of Business Quarterly*, Fall 1991
- "The Pearl Harbor Metaphor," *Deadline*, Fall 1991
- "Here's an Economic Policy," *The New York Times*, November 3, 1991
- "Remembering Pearl Harbor - Too Often," *Harper's Magazine*, January 1992
- "Suite Good," *The American Prospect*, Winter, 1992.
- "Competing by Cooperating," *Portfolio*, Port Authority of New York and New Jersey, Autumn 1991
- "Training a Skilled Work Force," *Dissent*, Winter, 1992.
- "Is Liberal Democracy the Hallmark of Our Era?" review of *The End of History and the Last Man*, by Francis Fukuyama, *The Wall Street Journal*, February 6, 1992.
- "Is Japan Really Out to Get Us?" *The New York Times Book Review*, February 9, 1992.
- "What Kind of Guidance?" *Economic Insights*, January/February 1992.
- "A Budget Cure-all," *The New Republic*, March 2, 1992
- "Public Investment & America's Future," Senate Appropriations Committee testimony, February 19, 1992
- "An Exchange on Multinationals," *The National Interest*, Spring 1992.
- "At Munich, nations look inward," *USA Today*, July 6, 1992.
- "Boost Productivity by Investing in People's Minds and Skills," *Los Angeles Times*, July 13, 1992.
- "Clinton: Spur Growth," *The New York Times*, July 16, 1992.
- "Is Deficit Spending Evil? Not Always," *Newsday*, July 23, 1992
- "Clintonomics 101," *The New Republic*, August 31, 1992
- "America's Clear Choice," *The American School Board Journal*, July, 1992.
- "Facing the Challenge Ahead," in *Of The People: The 200-year History of the Democratic Party*, General Publishing Group 1992
- "The Economic Stakes," *The American Prospect*, Summer, 1992
- "What's Wrong with the Democrats," a Forum discussion, *Harper's Magazine*, January, 1990.
- "Education Reform: Don't Count on Business," *Harper's Magazine*, September, 1992.
- "High-Wage Jobs in a Competitive Global Economy," testimony before the Congressional Joint Economic Committee 10/22
- "Accounting the Future," *The American Prospect*, Fall, 1992
- "Treat Schools, Jobs as One 'Flu' Patient," *Los Angeles Times*, November 5, 1992.
- "On the Slog Heap of History," *The New York Times Book Review*, review of *Homestead* by William Serrin November 8, 1992
- "All Government Spending is Not Created Equal," *The International Economy*, November/December 1992

- "Policymaking in a Democracy," *Yale Law Journal* vol. 94, p. 1617 (1985).
- "Toward a New Public Philosophy," *The Atlantic* (May, 1985).
- "Bailout: A Comparative Study in Law and Industrial Structure," *Yale Journal on Regulation* vol. 2, p. 163 (1985), subsequently in M. Spence (ed.), *International Competitiveness* (Ballinger, 1988).
- "Reflections on Boundaries," *Yale Journal of Law and Policy* vol. 2, p. 204 (Spring, 1984).
- "An Industrial Policy of the Right," *The Public Interest* no. 73 (Fall, 1983).
- "High-Tech Industrial Policy: Comparing the United States with Other Advanced Nations," *Journal of Japanese Trade and Industry* No. 4 (1983).
- "Industrial Evolution," *Democracy* (July, 1983).
- "Beyond Free Trade," *Foreign Affairs* (Spring, 1983).
- "Matching Public Policies and Business Strategies: The New Context," in H. Brooks et al. (eds.), *Public-Private Partnerships: New Opportunities for Meeting Social Needs* (American Academy of Arts and Sciences, 1984).
- "The Future of Unfair Methods of Competition," *Antitrust Law Journal* vol. 50, p. 801 (1982).
- "Making Industrial Policy," *Foreign Affairs* vol. 60, p. 852 (Spring, 1982).
- "Why the U.S. Needs an Industrial Policy," *Harvard Business Review* (Jan.-Feb., 1982).
- "Regulation by Confrontation or Negotiation?" *Harvard Business Review* (May-June, 1981).
- "Occupational Licensure," in S. Rotenberg (ed.), *Occupational Licensure and Regulation* (American Enterprise Institute, 1980).
- "The Antitrust Industry," *Georgetown Law Review* vol. 68, p. 1053 (1980).
- "Professional Licensure and Public Policy," in J. H. Schaub et al. (eds.), *Engineering Professionalism and Ethics* (Arbor House, 1980).
- "Toward a New Consumer Protection," *University of Pennsylvania Law Review* vol. 128, p. 1 (1979).
- "Corporate Accountability and Regulatory Reform," *Hofstra Law Review* vol. 8, p. 5 (1979).
- "Preventing Deception in Commercial Speech," *New York University Law Review* vol. 54, p. 775 (1979).
- "Warning Critiques of Regulation," *Regulation* (January, 1979).
- "Reappraising the Federal-State Regulation of Insurance," *American Bar Association Forum* vol. 13, p. 36 (Summer, 1978).
- "Solving Social Crises by Commission," *Yale Journal of Law and Social Action* vol. 3, p. 254 (1973).
- "Bargaining in Correctional Institutions: Restructuring the Relations Between the Inmate and the Prison Authority," *Yale Law Journal* vol. 81, p. 726 (1972).
- "Global Social Responsibility for the Multinational," *Texas International Law Journal* vol. 8, p. 187 (1973).

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- "A Budget Cure-all," *The New Republic*, March 2, 1992.
- "What Kind of Guidance?" *Economic Insights*, January/February, 1992.
- "Is Japan Really Out to Get Us?" *The New York Times Book Review*, February 9, 1992.
- "Training a Skilled Work Force," *Disene*, Winter, 1992.
- "Composing by Cooperating," *Portfolio*, Port Authority of New York and New Jersey, Autumn 1991.
- "Suite Good," *The American Prospect*, Winter 1992.
- "Remembering Pearl Harbor - Too Often," *Harper's Magazine*, January 1992.
- "Here's an Economic Policy," *The New York Times*, November 3, 1991.
- "The Pearl Harbor Metaphor," *Deadline*, Fall 1991.
- "The Stateless Manager," *Best of Business Quarterly*, Fall 1991.
- "Up the Workers," *The New Republic*, May 13, 1991.
- "Big Biz Cuts Class," *The Washington Post*, April 21, 1991.
- "The Unprepared American," *Christian Science Monitor*, April 11, 1991.
- "Barring Foreign Access to Fruits of U.S. Science is Nonsensical," *Chronicle of Higher Ed.*, March 20, 1991.
- "Now Let's Fix What's Broken in America," *Newsday*, March 5, 1991.
- "A More Perfect State of the Union," *The Wall Street Journal*, January 30, 1991.
- "The Secession of the Successful," *New York Times Magazine*, January 20, 1991.
- "More Purposeful Debt Could Kick-Start the U.S.," *Japan Economic Journal*, December 1, 1990.
- "Metamorphosis of the American Worker," *Business Month*, November, 1990.
- "The Budget Debacle," *Los Angeles Times*, October 7, 1990.
- "The American 1980s: Disaster or Triumph?" Symposium, *Commentary*, September, 1990.
- "Do We Want U.S. to be Rich or Japan Poor?" *Wall Street Journal*, June 18, 1990.
- "National Interests Disappear in Global Economy," *Japan Economic Journal*, May 12, 1990.
- "Nationalism and the New Global Economy," *Ministry of International Trade and Industry Magazine*, April 19, 1990 (Tokyo).
- "For Sick Transit, No Glorious Money," *Newsday*, April 19, 1990.
- "Deadualization," in *The Oxford Companion to Politics of the World* (Oxford University Press, forthcoming).
- "Security Blanket," *Washington Post* op.ed., April 3, 1990.
- "Have the Democrats Lost Their Soul? Yes: Blame Election Funds," *New York Times* op.ed., October 12, 1989, p. A29.
- "The Compassionate Conservative," *The New Republic*, May 21, 1990.
- "National Interests Disappear in Global Economy," *Japan Economic Journal*, May 12, 1990.
- "U.S. Neglect of Public Investment is Real Villain," *Japan Economic Journal*, September 30, 1989.
- "The Squandered Decade," *Village Voice*, January 2, 1990.
- "Wake-up Call," *Ms. Magazine*, October 1989.
- "Members Only," *The New Republic*, June 26, 1989.
- "Capricious Regulation Is the Market's Foe," *New York Times*, June 11, 1989.



- "As the World Turns," *The New Republic* May 1, 1989;
- "Industrial Policy Useless Without Marketing," *Japan Economic Journal* April 22, 1989;
- "Whither Protectionism?" *Harvard International Review* April 1989;
- "The Future of Work," *Harper's Magazine* April 1989;
- "Put a Brake on High-Tech Alliances," *Los Angeles Times* op.ed., March 20, 1989;
- "America Pays the Price," *New York Times Magazine* January 29, 1989;
- "Must New Economic Vigor Mean Making Do With Less?" *NEA Today* National Educational Association (January 1989);
- "Pomp and Circumstance," *The New Republic* (December 5, 1988);
- "Democratic Presidents Strong Backers of Free Trade," *Japanese Economic Journal* (October 8, 1988);
- "Teaching to Win in the New Economy," *Technology Review* (August-September, 1988);
- "The Collective Entrepreneur," *Chicago Tribune* op. ed., (July 22, 1988);
- "Making America More Competitive," *Portfolio* Vol. 1, No. 2, Port of New York Authority (Summer 1988)
- "Behold! We Have an Industrial Policy," *New York Times* op. ed., (May 22, 1988);
- "Communism Chic," *The New Republic* (April 25, 1988);
- "Democrats' Best Issue: A More Productive Economy," *Christian Science Monitor* (April 18, 1988);
- "Technological Barriers Won't Help the United States," *The Japan Economic Journal* (February 27, 1988);
- "The Trade Gap: Myths and Realities," *New York Times* op. ed. (February 12, 1988);
- "October 19 Was Just a Tremor," *Los Angeles Times* op. ed. (January 17, 1988);
- "Great Exhortations: Books With Resolve," *New York Times Book Review* (January 3, 1987);
- "Rx for an Ailing Uncle Sam: Consume Less, Invest More," *Atlanta Constitution* (January 3, 1988);
- "The Demise of the Special Relationship," *American Ozonian* (Winter, 1987);
- "Memo from Main Street to Wall Street: Drop Dead," *Washington Post* (December 6, 1987);
- "Letting the Air Out of Wall Street's Balloon," *Christian Science Monitor* (November 30, 1987);
- "The Glitz is Gone," *New York Times* op. ed. (October 22, 1987);
- "Quit Running Against Reagan and Start Running as Democrats," *Los Angeles Times* op. ed. (October 15, 1987)
- "Loop-hole Mentalities," *New York Times* op. ed. (September 13, 1987);
- "The Expanding Economic Vista," *New York Times Magazine* (September 13, 1987);
- "Hollowing Out? Poses Little Danger," *Japan Economic Journal* (July 25, 1987);
- "Myths About Japanese Trade," *Des Moines Register* op. ed. (May 17, 1987);
- "The Secret of His Success," *New York Times Magazine* (May 3, 1987);
- "Do Americans Still Believe in Sharing the Burden?" *Washington Post* (April 26, 1987);
- "On the Brink of an Anti-Business Era," *New York Times* (Financial, April 12, 1987);
- "It's Too Easy to Indict the Rot at the Top," *Los Angeles Times* op. ed. (April 8, 1987);
- "The Fortress-America Myth," *New York Times* op. ed. (March 20, 1987);
- "Increased Japanese Spending Cannot Put Argh! U.S. Deficit," *Japan Economic Journal* op. ed. (February 23, 1987)
- "How Nit-Picking Regulations Get That Way," *Harper's* (February, 1987);
- "Butcher Theory of Management Cuts Lifelines to the Future," *Los Angeles Times* op. ed. (January 23, 1987);
- "Enterprise and Double-Cross," *Washington Monthly* (January, 1987);
- "The New Competitiveness Fad," *New York Times* op. ed. (January 14, 1987);
- "Us vs. Them," *Common Cause* (January-February, 1987);
- "Making a Rust Belt Out of Silicon Valley," *New York Times Sunday Business* (October 12, 1986);
- "We've Blamed 'Them' For Our Trade Deficit Long Enough," *Los Angeles Times* op. ed. (September 12, 1986);
- "On Campaign Economics," *New York Times* op. ed. (September 19, 1986);
- "A People-Based Economy," *Christian Science Monitor* op. ed. (September 19, 1986);
- "A Faustian Bargain with the Japanese," *New York Times* (Sunday Business Section, April 6, 1986);
- "It's a Bird, It's a Plane, No, It's a Deal Maker," *New York Times* op. ed. (December 29, 1985);
- "Political Parables for Today," *New York Times Magazine* (November 17, 1985);
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Answers of  
Robert B. Reich, Secretary of Labor-Designate  
to Questions from  
Senator Edward M. Kennedy

1. Q. The General Accounting Office, as well as other government and non-government agencies, has found that federally-funded job training programs tend to provide differential training by race and sex; such disparate training leads to lower wage jobs after training for women and minority males than for white males. What can the Department of Labor do to reduce the disparities in the training offered and to improve the equity of labor market outcomes?
 

A. Reduction of the disparities to which you refer begins with education. It is important to instruct state and local governmental and other program providers about patterns of race and sex stereotyping in training and career counseling programs. These providers should be given advice on how to identify and eliminate such stereotyping. The Department should both provide this advice and examine patterns of participation in training programs that receive federal funds.
2. Q. President-elect Clinton has discussed the increased use of apprenticeship to facilitate the entry of non college bound young people into jobs with long run career potential and he has stated his commitment to equal opportunity in apprenticeships. Given that women currently constitute only 7 percent of all participants in current Labor Department approved apprenticeship programs, how will you, as Secretary of Labor, help the President achieve his equity goals?
 

A. I will ensure that apprenticeship programs developed or certified by the Department of Labor are open to women. I will also try to encourage young women to enter apprenticeship and other non-traditional programs. Finally, I will ask my director of the Women's Bureau to devise additional policies to open nontraditional careers to women.
3. Q. There is a strong possibility that sluggish growth and high unemployment will necessitate a strong federal program of job creation. How can the Department of Labor work to assure that the new jobs created be available on an equitable basis to unemployed women workers, especially if the emphasis in job creation is on building traditional types of infrastructure such as highways and transportation, construction jobs in which women are extremely underrepresented?
 

A. I will ensure that the Office of Federal Contracts Compliance Programs fully enforces the equal opportunity obligations of federal contractors.
4. Q. The workforce legislation I introduced in the last Congress focused on creating high performance work places so that the U.S. can compete more effectively in a global economy. In testimony before this committee, we have heard from small and medium-sized businesses -- like Harry Featherstone of the National Association of Manufacturers -- who have told us of the progress and challenges facing the manufacturing community in education, training and changing work organizations. Some of this has been



spurred on by partnership between the Department of Labor and the business sector. How can DOL help to enhance this range of partnerships with both the manufacturing and service sectors?

- A. Upon assuming office after confirmation, I intend to begin meeting with representatives from both the manufacturing and service sectors to determine the most effective way that we can work together to improve education, training, and work organization for America's companies. As you know, I am particularly committed to enlisting the support of those companies that have already made great strides in these areas in spreading their exemplary practices to other companies.

5. Q. In response to self-dealing and conflict of interest concerns, the 1974 ERISA statute contained broad language prohibiting an investment manager from using pension plan assets to its own benefit or from representing an interest adverse to the interests of the pension plan. The manner in which this broad language should govern fees paid to a pension plan's outside investment advisors is not addressed directly in the ERISA statute or its legislative history. As a result, various segments of the investment management industry have over time sought the guidance of the Department of Labor. In some cases, policy has been established by default through enforcement proceedings, and in other areas the staff of the Department has required the industry to rely on verbal interpretations and assurances while formal requests for clarification or exemptions have gone unanswered.

Given the importance of DOL policy in this area, how could you proceed to clarify the issue? Would it make sense to initiate a formal fact-finding and rule making process on the question of investment management fee structures, in order to allow the Department to obtain public comment and expert opinion and to provide investment managers with a clearly enumerated set of rules?

- A. I will ask my Assistant Secretary for Pensions and Welfare Benefits to look into this matter and to determine how best to provide greater guidance on permissible fees for outside investment advisors. I cannot say at this time whether formal rule-making would be desirable, but I am sure it will be one of the options that is considered.

#### Answers of

Robert B. Reich, Secretary of Labor-Designate  
to Questions Dated December 23, 1992  
from Senator Nancy Landon Kassebaum

1. Q. On December 17, the National Labor Relations Board issued an opinion in the Electromation case that will have significant ramifications with respect to the future of labor and management relations in the United States. By declaring the "action committees" involved in this case to be prohibited, employer-dominated, labor organizations under the National Labor Relations Act, the opinion has called into question the legality of hundreds, if not thousands, of such employee involvement programs, designed to foster employee participation and cooperation with management.

Given the importance of employee involvement programs in maintaining competitiveness here and abroad, will you review the consequences of this decision as soon as you are confirmed, and make recommendations to Congress on the legislative action needed to allow these programs to continue?

- A. I intend to take a careful look at the Electromation decision. I have been advised that the holding in this case was really rather narrow, based on a straightforward instance of an employer's domination of a labor organization. Subsequent decisions of the NLRB may clarify the standards for labor-management activities that are consistent with the NLRA. If it appears that Electromation and subsequent decisions do have a significant chilling effect on legitimate labor-management cooperation, then I will certainly consult with Congress on the advisability of a legislative solution.

2. Q. At a student gathering at Wilbur Wright Community College, President-elect Clinton spoke recently of the necessity to "...cut through this incredible maze of federal (job training) programs. I don't know how many of you--there may be people in this room who are here because of two or three or four or five different federal programs, which all have the same objective, so we need to...take a look at how much money we're wasting. A bunch of this money is being diluted by going through administrative layer after administrative layer,...if the taxpayers put up a dollar for an education program, by the time it gets back down to you, there may be only 50 cents left, and that's too much take-off, because of the organizational work."

Currently, the federal government offers 125 employment and training programs, the bulk of which are run out of the Departments of Labor and Education. In fiscal year 1991, well over \$16 billion in federal dollars were spent on these programs. In keeping with President-elect Clinton's comments, will it be your priority to evaluate, streamline, and improve the efficiency of existing job training programs?

Before initiating any new job training programs, will you conduct a comprehensive evaluation of those programs under the Department of Labor's jurisdiction to ensure that funds for these programs are not being wasted, particularly through duplication and excessive administrative costs? Will you cooperate with the Department of Education in this undertaking, and meet with members of the Labor Committee to share your findings and, if necessary, to craft a legislative response?

- A. One of my early priorities will be to evaluate the employment and training programs of the Department of Labor to determine where there are opportunities for administrative savings and for consolidation. I am also committed to cooperating with the Secretary of Education, and with other members of the Cabinet, to assure the most efficient coordination and integration of our programs. I look forward to the guidance of the Labor & Human Resources Committee and the House Education & Labor Committee in developing a comprehensive approach to job training.

I am reluctant to commit to completing such an evaluation before initiating any new job training programs. The problems of dislocation and the school-to-work transition are so pressing that I do not want a review of existing programs to delay doing what should be done.

3. Q. The financial difficulties facing the Pension Benefit Guarantee Corporation and the private pension plans it oversees have been highlighted in recent weeks by a number of economists and several members of Congress. Several colleagues and I introduced legislation in the past two Congresses that would close a gap in existing law, which currently allows pensions plans

to receive less-than-complete audits of their assets. In light of the recently expressed concern for the soundness of existing pension plans, will you support this legislation and urge its immediate passage?

- A. Effective protection of pension benefits must be a high priority of the Secretary of Labor. I intend to consider carefully your proposal, along with other proposals made by the Inspector General and by other Members of Congress, in an effort to ensure the protection of private pension benefits.

4. Q. Recent court decisions, most notably the Abshire case (908 F.2d 483)), have made it apparent that existing regulations under the Fair Labor Standards Act must be changed. Currently, courts are awarding highly-paid executive and professional personnel, never intended to be covered by the FLSA, significant overtime back payments if their employers engage in any number of commonly-accepted pay practices. This has exposed private employers, as well as state and local governments, to potentially huge unforeseen liabilities. Indeed, the governors of New York, Texas, Utah, Iowa, Washington, Maryland, Nevada, North Dakota, Wisconsin, Oklahoma, and California appealed to the Secretary of Labor over 18 months ago to resolve the so-called section 541 problem.

Do these court awards to individuals who are already highly compensated make sense in view of recent private sector lay-offs and fiscal belt-tightening in the public sector? If legislation is required, will you support retroactive changes for both the public and private sector, covering the array of pay practices now in question, in order to halt this mounting liability?

- A. I am aware of the concerns raised over the Abshire case and other court decisions awarding overtime back payments to employees who had been considered executive or professional. I am certainly willing to consider options for dealing with some of the issues raised by these decisions, and would be happy to work with the Congress in developing and evaluating these options.

5. Q. Many argue that a ban on the hiring of permanent replacement workers in the event of an economic strike will lead to an increase in the number and the duration of strikes in the workplace. Do you share this view, and on what basis do you rest your opinion?

According to Business Week, John Yarbrough, president of the local UAW representing Caterpillar workers, stated plainly that, "Another strike will be a hell of a lot easier" to sustain if such a ban became law. Given even the threat of a possible increase in labor strife, would it not be prudent to postpone consideration of striker replacement legislation until the economy is on sounder footing? Would you advocate such a postponement? Will you undertake an analysis on the potential economic impact of such legislation prior to recommending it to the President?

- A. President-elect Clinton has indicated his support for the Workplace Fairness Act, and I intend to support this legislation when it is introduced in the current Congress.

6. Q. According to the Associated Press, you advocate holding off on legislation that would mandate that business spend 1.5% of payroll on working training, opting instead to encourage the additional spending on a voluntary basis.



Many argue compelled increases in payroll costs will be passed on to consumers, through higher prices, or on to workers, either through dampened wage growth or slowed employment growth. Do you share this view? Given the current state of the economy, were these arguments a factor in your decision not to move forward at present with such a mandate?

- A. President-elect Clinton repeatedly stated during the campaign that companies should dedicate at least 1.5% of their payroll to worker training. This is the goal, and I intend to do everything necessary to achieve that goal. There has been no change in position.

7. Q. The Occupational Health and Safety Administration has been the object of significant criticism in recent years from both employers and employees. Moreover, there has been considerable debate not only over the effectiveness of OSHA, but also over how such effectiveness can be measured. For example, estimated workplace fatalities reached a 20-year low last year, according to the Bureau of Labor Statistics. However, some argue the decrease is due to a statistical understatement rather than the result of efforts by OSHA.

In view of this debate, will you undertake to evaluate the effectiveness of OSHA, in terms of its current allocation of resources and its overall impact on worker health and safety? Will you also review existing policies, standards, regulations, and law, and communicate your findings, either formally or informally, to members of this committee? Would it not make sense to conduct an evaluation and/or review prior to recommending any specific legislation to the President?

As with worker training, encouraging voluntary efforts among employers to improve health and safety may be preferable to strict mandates. In fact, voluntary compliance efforts in this area may prove more beneficial than strict regulation, since such voluntary efforts would foster genuine commitment to health and safety on the part of employers, an integral component of safe workplaces. Do you agree with this view? Would voluntary approaches in the area of safety and health be preferable, at least initially, rather than adding further legislated requirements such as mandated written programs or committees?

- A. Worker health and safety records must be improved, and I look forward to working with the Congress to improve the performance of OSHA and to find efficient and effective ways to deal with worker health and safety problems.

8. Q. Estimates of the cost of implementing the Family and Medical Leave Act vary from a low of \$5.30 per employee per year to a total cost of almost \$8 billion annually. Will you verify these cost estimates and render your own opinion on cost before you make your recommendation on this bill to the President?

Is it your view that this measure will have no perceptible impact on wages, employment, or job creation? What is the basis of your conclusion? Given the fact that there have been higher-than-usual permanent job losses during the current recession, does it make sense from a labor perspective to add such additional costs to employment.

- A. Proposals for Family and Medical Leave legislation have been offered over several Congresses. The issue seems to me to have been adequately studied. President-elect Clinton supports this legislation, as do I.

9. Q. Labor union membership has steadily declined in recent years. As you note in your most recent book, The Work of Nations, union members comprise about 13% of the private workforce. As Secretary of Labor, will you pledge to represent the views of all workers, union and non-union alike? Recognizing that the overwhelming majority of workers in the private sector are non-union, how will you ensure that the voices of these workers are heard at the Department of Labor? To the extent committees, task forces, and commissions are formed which involve representatives of labor, will you include representatives of both union and non-union workers, to the greatest extent practicable?

A. As Secretary of Labor, I will represent the interests of all workers.

10. Q. Productivity is the ultimate measure of a nation's competitiveness. According to a recent study by the McKinsey Global Institute, the United States still maintains a commanding lead over Europe and Japan in output per worker. It found that German and Japanese factory workers produced just 80% as much on average as American workers on an hourly basis. Based on these conclusions, William Lewis, director of the Institute and former Carter Administration official, told the New York Times that, "It's not obvious that the U.S. should be copying a model elsewhere." Do you agree?

While the study showed the U.S. is farthest ahead in the service sector (which comprises 75% of the workforce), we also maintain a productivity lead in manufacturing, with Japan ahead in only a handful of heavy industries. While this lead has been shrinking, it shrank more slowly during the last decade than in the 35 years following World War II. In fact, according to the study, the lead against Germany has actually widened. Do you concur with these and other findings of the study, which are also supported by the work of other economists such as Robert Solow, William Baumol, Edward Wolff, Dale Jorgenson, Robert Summers, Alan Heston and Michael Porter? What do these findings say about the relationship between investment and productivity, given the lower rate of investment here in the U.S. relative to Japan and Europe?

The study concluded that the America's greatest advantage is the relatively hands-off attitude in Washington. Do you agree? Do you believe employer flexibility and lack of excessive regulation benefits productivity? In this regard, Professor Solow stated, "Deregulation of services, where it could be accomplished, is likely to pay-off." What steps will you take to adopt this approach at the Department of Labor?

The study recommended that the next administration stimulate greater competition as a means of ultimately improving living standards. Given the link between competition and open trade among nations, as stressed in the report, should we be pressing for a strong General Agreement on Tariffs and Trade and North American Free Trade Agreement to encourage open competition in global markets?

President-elect Clinton noted during the campaign the steady decline in employment in the manufacturing sector in recent years. At the same time, output has not declined, and productivity has steadily increase. Does this say anything about the relationship between increased productivity and employment levels? Can increased productivity have an adverse impact on employment? What can be done to ensure that increased investment in the existing workforce, which will increase productivity, will also be accompanied by expanded job growth?

- A. I have not had an opportunity to study carefully the recent study of the McKinsey Global Institute entitled "Service Sector Productivity". However, I understand that the study concentrated on current levels of productivity, rather than trends in comparative productivity. In any case, productivity is notoriously difficult to measure in most service industries. Perhaps more to the point for my intentions at the Department of Labor, the study appears to have endorsed active labor market policies, with specific emphasis upon sophisticated retraining and school-to-work transition policies such as those found in certain other industrialized nations.

Most importantly, I want to reiterate my commitment to improving the training of the three-quarters of our workforce that will not complete four years of college, and to promoting the creation of good jobs that require this higher level of training. Aggregate measures of productivity are important, to be sure, as a barometer of our overall economic performance. But we cannot overlook the declining real incomes of so many of our workers, whose deteriorating prospects can be masked by the large gains of a relatively small group at the upper end of the scale. My tenure at the Department of Labor will be dedicated to improving the chances of the majority of Americans to obtain higher-skilled, higher-paying jobs.

Answers of  
Robert B. Reich, Secretary of Labor-Designate  
to Questions Dated January 7, 1993,  
from Senator Nancy Landon Kassebaum

1. Q. As an economist, do you regard the data produced by BLS to be objective and reliable?
- What care do you plan to exercise to maintain the professionalism, independence and objectivity of BLS as a data collection agency?
- A. I regard data produced by BLS to be reliable. I intend to impress upon BLS my desire that the data series produced there be regarded as objective and reliable.
2. Q. You argue against traditional "industrial policy" of financially supporting American corporations because those corporations increasingly operate internationally. Accordingly, you state: "Nations can no longer substantially enhance the wealth of their citizens by subsidizing, protecting, or otherwise increasing the profitability of their corporations."

One of your themes is that if we are to improve our standard of living, we need to focus on domestic job training and infrastructure development rather than simply protecting American corporations from competition. You state, "America's core economic problem is not competition from Mexico or other developing nations." ("Brainpower, Bridges, and the Nomadic Corporation," *NPO*, Fall 1991, p. 67.)

Do you still oppose protecting American corporations from foreign competition, and if so, do you favor the free trade agreement with Mexico?

What specific additional steps are needed before the Clinton administration moves forward on the negotiated North American Free Trade Agreement?



- A. President-elect Clinton supports the North American Free Trade Agreement, but only if the United States is able to obtain satisfactory side agreements concerning, among other things, the protection of labor standards. The President-elect is also committed to meaningful assistance to workers who may be displaced because of the Free Trade Agreement.
3. Q. What steps do you plan to take to open up apprenticeship programs and blue-collar construction and aerospace jobs to women?
- A. Without excluding other possible steps, I can identify here three measures to open opportunities for women in nontraditional careers. First, I will ensure that the Office of Federal Contract Compliance fully enforces the equal opportunity obligations of federal contractors. Second, I will ensure that apprenticeship programs developed or certified by the Department of Labor are open to women. Third, I will explore ways in which employment and training programs might more effectively assist women's entry into non-traditional jobs. In addition, I will charge my director of the Women's Bureau with devising other policies to attain these ends.
4. Q. Throughout the campaign, President-elect Clinton indicated an interest in using pension fund assets to finance infrastructure investment. President-elect Clinton also made reference to the problem of underfunded pensions. The New York Times noted that there is a strong incentive, particularly in the auto, steel, and airline industries, for both labor unions and management to promise increased pension benefits in lieu of salary increases. These increased benefits by underfunded plans may be nothing more than empty promises. If these increased benefits do not materialize, there will be tremendous political pressure on the federal government to make up the shortfall -- even beyond what is guaranteed by the PBGC.

Could you elaborate on any possible plans by the administration to use pension funds assets to finance the infrastructure investment program, and could you detail how the administration intends to address the issue of increased benefits being promised by underfunded pension plans?

- A. President-elect Clinton has not, to this date, advanced any specific proposals to use pension fund assets to help finance infrastructure investment.
- Prior to taking a position on the issue of increased benefits promised by underfunded pension plans, or on any other issue dealing with the potential liability of the PBGC, I think it is essential to have complete and accurate information on the financial status of the PBGC, the accounting assumptions made in the projection of future PBGC deficits, the assumptions made by pension plans in calculating their degree of over- or underfunding, etc. My understanding from GAO reports and other sources is that there is considerable difference of opinion on just what the facts are. I intend to get the facts and then to formulate appropriate policy responses.
5. Q. You have mentioned in your writings that you believe that labor and management should work together rather than maintain an antagonistic relationship. For instance, in "Metamorphosis of the American Worker," Business Month, November 1990, you state:

In Japan, lifetime employment is common within large firms, and great emphasis is placed on maintaining 'harmony' between

management and labor. In general, the reciprocal bonds of loyalty and responsibility linking the corporation and its workers have been much stronger in post-war Japan and Europe than in the United States. (Business Month, at p. 64)

Do you continue to believe that labor-management cooperation is a worthy objective, and if so, what steps will you take as Labor Secretary to promote such cooperation?

- A. I believe that labor-management cooperation is crucial to improving the competitiveness of U.S. industry and the well-being of American workers. As I mentioned at my nomination hearing, I am not yet sure whether efforts to promote such cooperation should be centered in one part of the Labor Department or diffused through each program of the Department. Whatever the locus of these efforts, I am committed to attempting to extend the practices of our best companies to a much broader segment of U.S. employers.

6. Q. You state in your writings that employers often do not provide sufficient training to their workers because management is concerned that workers will leave the company and the training benefit will accrue to the employee's new employer. You suggest several methods to improve employer-employee loyalty, among them:

... changing the tax laws so that pension benefits become vested even later than now, which would give workers an incentive to stay put; changing the laws covering executives' bonuses so that executives would also tend to stay; and creating tax advantages for employers who offer on-the-job training. (American Society in a Global Economy, Society, November 1990, p. 66)

Do you intend to propose any of these options as Secretary of Labor?

- A. In the article which you quote I was simply providing some illustrations of possible methods for increasing employer investment in employees. There are other ways to provide incentives for employers to offer more training to their employees without fear they will lose the benefits. For example, consortia of employers in the same industry or geographic area could share the costs of training and thereby worry less about losing the benefits of training they provide. I will consider all these ideas in attempting to enhance the competitiveness of the American workforce. I cannot, at this time, commit that I will or will not propose any one method.

7. Q. You reiterate in your scholarly work that America needs to invest in infrastructure. How do you define infrastructure? It seems that it could include adequate health care, transportation systems, income security, youth entitlements, and commercial office space. Other than a change in name, how does this differ from spending initiatives the federal government has made in the past?

- A. I have argued that the United States should increase its investment in infrastructure. Defined to include primary transportation and communications systems, federal infrastructure investment has declined from over 1 percent of G.N.P. to about .75 percent.

8. Q. You state in your article, "Up the Workers," (*The New Republic*, May 13, 1991, p. 24) that you continue to favor an industrial policy, but you favor one in which the U.S. government supports any corporation, foreign or domestic, as long as it uses the government support to "do research, development and related engineering here in the United States, utilizing American workers."

Do you still favor using American tax dollars to subsidize foreign corporations that operate in the United States?

- A. I have argued that the primary criterion should be whether a company creates jobs in the United States rather than whether it is headquartered in the United States. Ideally - to the extent that American tax dollars subsidize private corporations - the corporations should both create American jobs and be owned by Americans.

9. Q. The question of how best to serve the 50 to 75 percent of American youth who do not attend or complete college has become a national concern. Other major industrial nations with which we compete have structured systems to help youth make the transition from school to the workplace. President-elect Clinton and others have advocated creating a national youth apprenticeship system in this country, which would provide a direct pathway for students from secondary school to a permanent job.

Since the 1970s, the Department of Labor has conducted a number of youth apprenticeship demonstrations to explore ways of redesigning school curricula so that students learn job-related subjects in a workplace context. While these programs are meeting with success, the number of youth participating in apprenticeship programs in 1990 totaled only 3,500 students, less than 4 percent of high school students nationwide. What priority will you give to continuing and/or expanding the youth apprenticeship demonstrations currently underway at the Department of Labor?

Many communities have developed local programs linking schools and businesses in cooperative efforts to help students bridge the gap between school and work. Here in Washington, we have seen a proliferation of legislative proposals to address the school-to-work challenge. Before proceeding with federal legislation, will you examine what is being done locally to ensure the successful development of a nationally based system for youth apprenticeship? What will you do to encourage cooperation between businesses and schools at the local level? Do you believe that these local organizations and individuals are in a better position to develop programs uniquely suited to address problems in their own communities?

- A. Improving the school-to-work transition for non-college-bound youths will be one of my highest priorities in the Department of Labor. I intend to review carefully the results of the youth apprenticeship demonstrations that have been initiated by the Department to determine if one or more holds lessons for successful programs in a wider range of areas. I also intend to learn from programs that have been developed through local public-private cooperation among school systems, business organizations, community colleges and others. My first thought is that we should aspire to a national program that both provides a certain commonality across cities and regions and is adaptable to local conditions.



10. Q. President-elect Clinton has on more than one occasion said that he would sign a federal repeal of state right-to-work laws. Does this mean the president-elect actively supports repeal of section 14(b) of the National Labor Relations Act? Do you support this repeal? If the new administration's position is limited merely to the signing of legislation repealing state right-to-work laws, does that mean the Department of Labor will not actively seek its passage, or otherwise promote eliminating state right-to-work laws?
- A. President-elect Clinton has stated that he would sign such legislation. If such legislation were presented to him, I would recommend that he sign it.

Answers of  
Robert B. Reich, Secretary of Labor-Designate  
to Questions from  
Senator Paul Simon

1. Q. Obviously, this situation [referring to possible bar on use of unemployment insurance wage records for program evaluation] raises some questions. Given that Congress has expressed a clear policy to have BLS develop this data resource, I would like to know what you will be doing to support this policy direction.
- A. I understand that Congress has required a study on the use of UI wage records, to be completed by the Department of Labor before September 7, 1993. I can assure you that your views, and those of others concerned about the proposed regulations, will be fully considered in the preparation of this study and the formulation of Department policy.
2. Q. Can we, for example, have your assurance that the proposed regulations are as dead as they appear to be?
- A. I have been advised that the regulations in question would not, in the normal course, be published in final form until November 1993. By then, the Department study on these issues will have been completed. Any such regulatory changes would thus reflect fully the concerns expressed by all parties, to be included in the study. In any case, I would be happy to talk with you at any time concerning this issue.
3. Q. What about funding? Congress provided that Secretary's JTPA discretionary funds would be used for BLS's work on UI wage records this year. Will you continue to fund BLS's activities in this regard out of discretionary funds next year? Or will you be requesting a line item appropriation within the BLS budget?
- A. Until I learn more about the resources that will be available in the discretionary fund, I cannot say what source would be most appropriate for funding BLS's work on UI wage records.
4. Q. The Coalition on Women's Job Training has developed a comprehensive agenda to help address the job training needs of women in America which was recently forwarded to you.

What actions will you take as Secretary of Labor to assure that the unique employment and training needs of women will be addressed in all Department of Labor programs and policies?

- A. I intend that the Department of Labor's programs and policies be administered with attention to creating opportunities for women in all parts of the workforce. Traditional equal opportunity policies must be complemented with policies that recognize the family obligations of many working women. While I expect this commitment to be shared throughout the Department, I also anticipate an active role for the Women's Bureau in suggesting policies to meet the employment and training needs of American women.
5. Q. Federal policy has regarded child labor as a labor law issue. Some critics now contend that it is as much an education and health issue. Should Federal policy be modified to reflect a broader concern?
- A. Personally, I have always regarded the child labor laws as important social, as well as labor, policy. Enforcement of the child labor laws helps protect the health and safety of children, as well as to ensure that work does not crowd out the education children need to be successful throughout their lives.
6. Q. The U.S. lags significantly behind Japan and Europe in worker safety. What can we learn from those nations that can be applied here?
- A. In a general sense, I think we have already learned that improving worker safety depends in part on involving workers. As to more specific features of European or Japanese practice that would be feasible to apply here, I cannot give you an answer at this time. I can assure you that I will take such information into account in developing worker health and safety policies.
7. Q. The family members of dead workers do not have the right -- standing -- to participate in OSHA adjudications. Should they be given that right?
- A. As with the other features of the OSHA reform bill introduced in the last Congress, my Assistant Secretary for Occupational Safety and Health and I will carefully consider the proposal to give family members the right to participate in occupational safety and health adjudications.
8. Q. In passing the recent amendment to the Job Training Partnership Act, we emphasized the importance of creating a strong Indian office in the Labor Department. What steps is the Department going to make to see that the Indian office has overview responsibility over the Indian JTPA program?
- A. Upon assuming office, I will ensure that Congressional intent with respect to the Indian office in the Department of Labor is fully implemented.

Answers of  
Robert B. Reich, Secretary of Labor-designate  
to Questions from  
Senator Tom Harkin

1. Q. My Labor HHS Appropriations Subcommittee has found serious weaknesses in enforcement of the minimum wage and overtime provisions of the Fair Labor Standards Act. In fact, in hearings before my subcommittee last year, the Inspector General of the Labor Department recommended several ways the Wage and Hour Division of the Employment Standards Administration could improve the effectiveness of its program by increasing its ability to detect and deter violators of FLSA.

What attempts will your Labor Department make to better protect the wages of American workers.

Will you consider legislative remedies to strengthen enforcement efforts, such as requiring civil monetary penalties for violations of FLSA's record-keeping provisions?

I'll be introducing legislation on this soon, and would like to work with you and your staff in putting it into effect.

- A. I can assure you that, during my tenure, the Department of Labor will vigorously enforce the wage and hour provisions of FLSA, as well as all laws designed to protect the rights of employees. In reviewing the tools available to the Department for enforcement, I will certainly consider each of the suggestions you make, and look forward to working with you and other Members of Congress in ensuring effective enforcement of the law.

2. Q. Key to your and the Clinton administration's economic proposals is creating a well-trained workforce through improved worker training programs.

How do you intend to expand worker training programs in face of budget constraints faced by the next administration?

I suggest we work together to find ways to prevent duplication of services and administrative costs and ensure that there's adequate funding to implement whatever new programs you decide to create, and this committee decides to authorize.

One option is to promote better coordination with the Departments of Labor, Health and Human Services and Education. All three departments conduct their own worker training programs. We could consider instituting a "one-stop shopping" approach to the delivery of such services as testing, job training, continuing education, job search -- all through local Employment Services offices.

What are your views on this?

- A. Even if we did not face budgetary constraints, it would be our responsibility to maximize the effectiveness of every dollar appropriated for job training. Under current conditions, this responsibility becomes an imperative. I welcome your offer to work together on finding ways to prevent duplication of services and unnecessary costs and look forward to any further suggestions you might have.



I agree that better coordination with Health & Human Services and Education is one promising route to reducing administrative costs. I might add the Defense Department to this list, because of its defense conversion activities. I have already begun to discuss these issues with the other Secretaries designate, and anticipate continuing cooperation.

3. It's my understanding that the Clinton administration is truly serious about implementing its campaign promise of reducing administrative costs by 3 percent. I might add that my Labor Appropriations Subcommittee has already instituted significant cuts in salaries and expenses in your department.

Have you considered the implications of these proposed administrative cuts on the Labor Department where nearly 75 % of your workforce are responsible for enforcement? How do you intend to implement these proposed cuts while maintaining the personnel necessary to carry out such enforcement programs as the Occupation Safety and Health Administration (OSHA) and the Mine Safety and Health Administration (MSHA)?

- A. Discerning the opportunities for costs savings without a reduction in enforcement effectiveness is difficult from outside the Department. In general terms, I believe that establishing clear enforcement priorities and seeking creative ways to enhance enforcement can produce cost savings.

4. Q. In the last Congress, seven bills were introduced to implement apprenticeship programs. There also has been considerable discussion as to whether these programs should be implemented by the Department of Labor or Department of Education.

Will the Clinton administration propose an apprenticeship program, and if so, which department will run it?

- A. I expect that the Clinton administration will propose one or more apprenticeship programs. The details of these proposals have not yet been worked out, but I would anticipate that regardless of which agency is designated the "lead," both the Departments of Education and Labor will have important roles to play in implementing the program or programs.

5. Q. In your writings and public appearances, you have stressed the importance of creating and maintaining quality jobs in the United States. As part of this concern, you often have noted that high technology industries are particularly critical to ensure an educated American workforce that can help our industries effectively compete in the global economy. As Secretary of Labor, do you think it would be effective to organize some form of inter-agency coordination to explicitly consider the impact which major governmental decisions concerning new technologies will have on American jobs?

For example, the Federal Communications Commission currently is in the process of selecting a standard for the broadcast transmission of high definition television (HDTV). The FCC plans to select a standard based primarily on the recommendation of an advisory committee, which in turn

Answers of  
Robert B. Reich, Secretary of Labor-Designate  
to Questions from  
Senator Barbara Mikulski

1. Q. What do you think is the Department of Labor's Role in the defensive conversion effort?  
  
A. The Department of Labor must play an active role in assuring that workers vulnerable to job loss because of defense spending reductions receive the training they need to find new career opportunities. I have already had discussions with Secretary of Defense-designate Aspin concerning defense conversion efforts, and I anticipate a cooperative relationship between the Departments in working on these issues.
2. Q. Our nation's schools, especially the community colleges, have taken on the responsibility of retraining our workforce for alternative careers. Many of these students are older students who want to improve their job skills, or they are people going to college for the first time. Our two year colleges have done a wonderful job at helping them.

What ideas do you have, if any, to coordinate efforts between the Department of Education and the Department of Labor to assist with education and job skills or job training programs in the nation's schools?

- A. It is very clear to me that the task of imparting needed skills to students coming out of school, or who have reentered school, depends upon cooperation between the Department of Education and the Department of Labor. As you note, many community colleges already do a fine job preparing students for skilled careers. It is also essential that high school curricula be developed that prepare our students for the better jobs available in today's economy. But the schools cannot succeed on their own. It is equally important that the needs of employers be factored into any program to prepare students for work. Thus, both Labor and Education have critical roles to play. I have already had conversations with Secretary-designate has developed and plans to rely on certain criteria in making its recommendation. These criteria fail to include consideration on job creation and maintenance in the United States.  
  
Would you advocate a coordinated inter-agency effort to ensure that important decisions, such as the selection of an HDTV broadcast standard, include consideration of the impact on American jobs?
  - A. The National Economic Council established by President-elect Clinton will give the Administration a mechanism for inter-agency coordination of important economic policy decisions. As a member of the Council, I will be able to contribute the perspective of the Department of Labor on the implications of government decisions for U.S. employment.
6. Q. As you may know, I have long had a strong interest in reducing the devastating toll smoking takes on our society -- it is the leading cause of preventable illness and death. This year over 430,000 Americans will die and the nation will lose over \$72 billion in health costs and lost productivity due to smoking related illnesses.

Recently, the EPA released a long awaited study confirming the dangers and costs of second-hand smoke to non-smokers. What are your thoughts about the need to protect workers from second-hand smoke in the workplace, or on smoking policy in general?

- A. My understanding is that OSHA has already acknowledged that second-hand smoke in the workplace may be a carcinogen. Further, I understand that OSHA has been preparing recommendations for action, which I will promptly review upon assuming office. I will also review the pending litigation involving OSHA and smoke in the workplace.

Riley about the need for cooperation between the two departments, and I am confident we will achieve that cooperation.

3. Q. What plans do you have for the Department of Labor to actively address the needs of older workers? And how do older workers fit in your picture for job training for the 21st century?

- A. My goal is an integrated employment and training system that can serve the particular needs of all groups of workers. In the case of today's older workers, those particular needs arise from the likelihood that they have held jobs in a single firm or industry for a relatively long time, and thus may have special difficulties in adjusting to displacement. In the case of older workers of the future, our goal should be to inculcate continuing training as a basic feature of the American workplace. If we are successful in this effort, tomorrow's older workers will be more accustomed to retraining and job change, and should be well served by an effective integrated employment and training system.

4. Q. Although we know that college educated women have made some progress in attaining white-collar jobs, women and minorities are still excluded from certain executive level positions. The problem of the glass ceiling has existed for quite some time. How do you plan to help shatter the glass ceiling?

- A. First of all, I think we must recognize that glass ceilings exist at many levels of the job market, not simply at the very highest executive and managerial levels. Many jobs have been historically filled exclusively, or almost exclusively by men, rest above similar ceilings. Some of these ceilings may be cracked through vigorous enforcement of equal opportunity requirements for federal contractors and through special attention in all government sponsored training and apprenticeship programs. As to the high-level jobs to which the term "glass ceiling" is most frequently applied, I believe the Federal Government should set an example by its own conduct in placing women and minorities in such positions. In naming his Cabinet, President-elect Clinton has demonstrated his commitment to this end. Beyond setting a good example, members of the new Administration must speak out against glass ceilings, and encourage more employers to follow the examples of those corporations which have shattered them already. I intend to do so.

5. Q. The focus has mostly been on preparing our workforce for the 21st century, but what changes do you think are needed in the workplace to accommodate our new workforce?



- A. First, employers must provide the higher skilled, higher paying jobs for which we plan to train our workers. Second, employers must make the workplace a center for continuing education, maintaining and augmenting the skill of our workers to keep them the most productive in the world. Third, the workplaces and opportunity for advancement in those workplaces must be open to all, particularly women and members of minority groups who have historically been subject to discrimination. Finally, the workplace must accommodate the needs of families in which both parents work, or in which there is only one parent, or for which special burdens exist. The Family and Medical Leave Act is an important step in this direction.

Many of our best and most profitable companies have already changed their workplaces to meet these goals. As I stated at my nomination hearing, I intend to use a combination of carrots, sticks, and persuasion to extend these practices to other employers.

6. Q. Women and minorities receive significantly fewer pension benefits than do men in our workforce. This is explained, in part, because pension plans are not always provided by the employers in low paying jobs which women and minorities often occupy. But also, women often leave the workplace to care for family members, children, spouses and aging parents and therefore are not able to vest in the plan. These problems really strike to the heart of pension reform and the need for changes to bring about equity in the pension system.

What thoughts do you have about how to achieve pension equality for women and minorities?

- A. First, the Federal Government must enforce the Employee Retirement Income Security Act and the pension provisions of the Internal Revenue Code to be sure that plans do not violate existing laws intended to extend the benefits of tax-advantaged plans to all employees. Second, though, we need to explore with the Congress creative ways of increasing pension coverage, particularly for the groups you mention, but even for those in jobs that traditionally provided adequate pensions. I am concerned that we are seeing a shift towards plans that rely solely on employee contributions, and thus make retirement planning particularly difficult for those of modest means.

7. Q. There are a special group of workers in our workforce that I call the "mature and older workers" aged 40 years and older. What ideas do you have to retrain these workers for the 21st century?

- A. In some respects, these workers should be among the most attractive candidates for new employers, since they have usually established proven work records and reliability. However, as mentioned earlier, mature workers are somewhat more likely to have difficulty adjusting to job displacement precisely because they have been in one firm or industry for most of their working lives. Additionally, some of these workers, intelligent and capable as they may be, have not been given the training to keep pace with the requirements of 21st century workforces. In extending our employment and training efforts, we must pay special heed to their needs, while recognizing what a valuable resource they can be.

Senator DODD. This committee will stand in recess.  
[Whereupon, at 1:32 p.m., the committee was adjourned.]

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